

Financial Management of Local Councils

August 2025

Independent assurance report to Parliament
2025–26:3



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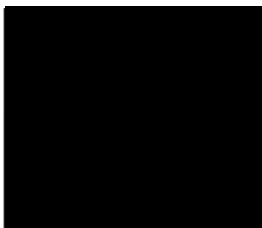
The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Financial Management of Local Councils*.

Yours faithfully



Andrew Greaves
Auditor-General
27 August 2025

The Victorian Auditor-General's Office (VAGO) acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

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Audit snapshot

Do local councils manage their resources to meet their communities' needs in a financially sustainable way?

Why we did this audit

Strong financial management is essential to councils' long-term financial sustainability, service delivery and asset maintenance. It helps decision-makers:

- allocate resources
- set fees and charges
- build and maintain infrastructure
- deliver services to the community now and into the future.

We did this audit to assess whether councils manage their financial resources in line with their strategic plans, to inform councillors' decision-making about meeting community needs.

We also reviewed councils' financial performance indicators and their results over time.

Key background information

In 2023–24, Victorian councils had

\$13.5 billion
income



\$11.8 billion
expenses



Councils have a **statutory obligation** to ensure their ongoing financial viability under the *Local Government Act 2020*



We examined

5 councils



Source: VAGO.

What we concluded

Most councils across the local government sector have operated sustainably since 2015–16 when rate capping was introduced. Most councils also continue to be able to meet their current spending obligations. This means councils can provide essential services, fund the maintenance of existing assets and invest in new assets to meet their communities' changing needs.

But some councils have seen a decline in some key short and medium-term financial sustainability indicators more recently.

There are increasing risks that these councils, particularly in the small shire cohort, may not be able to meet their future obligations to their communities without making significant changes to their financial policies.

The 5 councils we audited need to improve their service and capital projects planning as part of an overall strategy to ensure their financial sustainability.

1.

Our key findings

What we examined

Our audit followed 2 lines of inquiry:

1. Are council plans and budgets evidence-based and support financial sustainability?
2. Do council executives provide quality financial advice to councillors that supports their decision-making?

To answer these questions, we examined:

- Greater Shepparton City Council (Greater Shepparton)
- Maribyrnong City Council (Maribyrnong)
- Northern Grampians Shire Council (Northern Grampians)
- Wyndham City Council (Wyndham)
- Yarra City Council (Yarra).

In this report, 'audited councils' refers to the 5 councils we examined. 'Councils' refers to the entire sector.

Identifying what is working well

In our engagements we look for what is working well – not only areas for improvement.

Sharing positive outcomes allows other public agencies to learn from and adopt good practices. This is an important part of our commitment to better public services for Victorians.

Background information

Understanding financial sustainability

A council is financially sustainable when it can meet its current and future financial obligations while delivering services at desired levels and being able to respond to emerging risks.

We assessed councils' sustainability using these key financial indicators:

- net result
- net operating cash flow
- working capital
- loans and borrowings
- asset renewal ratios.

We also reviewed councils' adjusted underlying results, unrestricted cash and cash balances to get a broader view of councils' financial sustainability.

When reviewing council reports, users should not look only at financial and performance indicator results. These results should not be considered in isolation, but as a suite of measures. Each measure's potential limitations should be considered as well.

What we found

This section focuses on our key findings, which fall into 2 areas:

1. Most councils can meet their current financial obligations, but key sustainability indicators are declining.
2. Audited councils can strengthen their financial management practices and improve how they plan services and manage infrastructure.

Consultation with agencies

When reaching our conclusions, we consulted with the audited councils and considered their views. You can read their full responses in Appendix A.

Key finding 1: Most councils can meet their current financial obligations, but key sustainability indicators are declining

Most councils met their past financial obligations, but there are increasing risks

Most councils met their past financial obligations and are meeting their current obligations. But key financial indicators for most councils are trending down.

Across the sector and for most audited councils:

The indicator ...	has been ...	which means ...
net result ratio	positive but is starting to decline	the growth in total expenses is starting to, or is outpacing, total income.
net operating cash flows	positive but is starting to decline	councils are generating less surplus cash from operations to fund capital works.
working capital ratio	positive but is starting to decline	councils are able to pay for bills as they become due, but the ratio is falling.
loans and borrowings ratio	low and is improving	councils have not been borrowing much money to fund their infrastructure and are reducing the loans they have.

There are increasing risks that some councils, particularly the small shires, may not meet their future obligations to their communities if they do not take action.

Supporting sustainability indicators show councils results are declining

We also reviewed councils' adjusted underlying results, unrestricted cash and cash balances as supporting indicators for financial sustainability.

Across the sector, and for most audited councils, the adjusted underlying results have been declining. This means the sector's ability to pay for ongoing operating costs from their own-source revenue is decreasing.

An ongoing downtrend in this indicator suggests a council is not managing its expenditure, growing its own-source revenue or managing service programs' viability, which creates longer-term risks to financial sustainability.

Reported unrestricted cash balances for the audited councils are also declining.

But councils classify term deposits as restricted cash, in line with Local Government Victoria (LGV)'s guidance for the Local Government Performance Reporting Framework. This is inconsistent with accounting standards and limits this indicator's usefulness for councils determining their unrestricted cash levels.

The total cash balances across the sector and for most audited councils grew between 2015–16 and 2023–24. Most councils should be able to pay bills and fund capital investments from their available cash resources.

Addressing this finding

To address this finding we made one recommendation to LGV about:

- working with councils to define financial sustainability
 - redesigning the financial performance indicators and making the reporting guidance consistent.
-

Key finding 2: Audited councils can strengthen their financial management practices and improve how they plan services and manage infrastructure

All audited councils can strengthen how they:

- plan and prioritise services
- maintain and build infrastructure
- allocate resources in their annual budgets.

We reviewed the audited councils' financial management practices including processes for managing services and infrastructure, and how they develop and approve their operational and capital budgets.

We found:

- audited councils do not have mature processes to plan, monitor and prioritise services
- audited councils can strengthen their practices for planning capital works projects
- across the sector, most councils are maintaining their assets
- most audited councils do not fully align their short-term and long-term plans
- councils follow LGV's guidance for planning and reporting but could use further guidance
- councils have not applied the allowable rate cap or applied for a rate cap variation
- audited councils can improve how they engage councillors in financial decision-making.

Audited councils can improve the way they plan, monitor and prioritise services

Audited councils are improving the quality of information on their material services, but most lack metrics on service provision.

Councils need current, complete information for all service offerings and levels, related financial impacts and metrics for strategic decision-making and ongoing monitoring.

Most audited councils have guidance or a framework to guide their service planning, design and review. But only Wyndham has internal service metrics for monitoring service provision.

Councils also need to have clear guidance and processes to prioritise services they offer. Three out of the 5 audited councils identify which services are mandatory and which are not. Two did not have clear processes and procedures in place to guide how they prioritise the scale or type of their services. This would help councils' decision-making to be more consistent and objective.

Audited councils can strengthen their practices for planning capital works projects

Audited councils have extensive asset information available to them for decision-making, but some gaps exist.

All audited councils use predictive asset renewal modelling based on the condition of their assets. But levels of maturity in using predictive asset modelling varies by council.

Most audited councils also do not follow capital project planning requirements consistently. This means councils are making decisions without understanding the costs to operate and maintain new capital projects into the future.

Councils increase the risk of not delivering on the expected benefits of the projects if they do not have a full understanding of the risks, benefits, or possible cost implications for new projects.

Across the sector, most councils are maintaining their assets

At a sector level, most councils are renewing their assets faster than they are depreciating.

From 2015–16 to 2023–24, the metropolitan, large and small shire cohorts spent more, on average, on asset renewals than depreciation. In the same period, for the audited councils only Maribyrnong and Yarra, on average, renewed their assets at a rate equal to or higher than the rate the assets were depreciating.

According to their asset plans, all audited councils except for Northern Grampians plan to renew assets at rates higher than their modelling suggests to maintain them. Northern Grampians' asset plan acknowledges the rate it is planning to renew assets will result in a reduced service level. But it lacks the financial resources to keep up with its renewal obligations.

Councils need to better understand their renewal gap and relate this to how much they are spending annually. They should invest enough resources into renewing their assets to meet communities' ongoing needs and ensure assets can be used without posing a risk to the safety of users.

Most councils are not delivering all their planned capital programs, but they are funding them in a sustainable way

Councils should set capital budgets at levels they can deliver and meet the community's needs for infrastructure.

The sector did not meet its capital works budget in any year from 2017–18 to 2023–24. The only exception to this at the cohort level was that regional cities spent more than they budgeted in 2017–18. In the same 7-year period, none of the audited councils, except for Northern Grampians, delivered their capital programs as planned.

At a sector level, while councils are not delivering all their planned capital programs, most are funding capital expenditure works from their operating cash flows rather than borrowing money or running down their cash reserves. Debt levels across the sector, and for the councils we examined, are low and have mostly been declining.

All the council cohorts, except for metropolitan councils, spent less on capital works expenditure than their net annual operating cash flows in 6 of 7 years from 2017–18 to 2023–24.

In the same period for the audited councils, Wyndham spent less on capital expenditure than its net operating cash flows in all 7 years. Maribyrnong, Northern Grampians and Yarra spent less than their net operating cash flows in 5 out of 7 years. Greater Shepparton spent less on capital expenditure than its net operating cash flows in 2 out of 7 years.

By spending less on capital expenditure than their net operating cash flows, most audited councils built up their cash reserves and investments. It is important that councils balance the need for cash reserves to respond to materialising risks and economic fluctuations, with the need for new infrastructure and asset renewal for intergenerational use.

Most audited councils do not fully align their short-term and long-term plans

Audited councils published a suite of strategies and plans as required by the *Local Government Act 2020* (the Act). This includes council plans, 10-year financial plans and 10-year asset plans. The audited councils' aligned their plans at the strategic level.

But most audited councils cannot show an alignment between their strategic aims and their long-term budget allocations. Councils should align their long-term financial plans to provide consistent guidance for council operations.

All audited councils could improve how they link strategic goals in their council plans to specific initiatives. They could also introduce indicators and progress measures to track initiative implementation.

Councils follow LGV's guidance for planning and reporting but could use further guidance

All audited councils use LGV template and industry benchmarks to develop their 10-year financial plans. Using templates ensures consistency and guides councils on how to use and source external escalations factors.

But councils could benefit from additional guidance to bring in consistency of application and simplifying how results are interpreted and used.

LGV could improve the guidance to councils by introducing:

- templates for the 10-year asset plan
- templates for quarterly financial reporting against budgets
- requirements for councils to report council results against the long-term financial plans.

Additional guidance could also increase the quality of councils' planning, reporting and oversight processes, especially the smaller, less resourced councils.

Most councils have not sought a rate cap variation and some have not applied the allowable rate cap

The rate cap limits how much councils can raise their rates each year. The Minister for Local Government sets the rate cap annually, based on advice from the Essential Services Commission (ESC).

Councils can apply to the ESC for a higher cap. The ESC received 19 applications for higher caps from the sector between 2016, when the rate cap system started, and 2024–25. It approved 13 of the applications. Four councils did not apply the higher rate cap, once approved.

Of the audited councils, only Wyndham has applied for a rate variation since capping started in 2016. Most audited councils have not applied for rate variations because they were concerned about community pushback, the financial impact on the community and the resources needed to meet the ESC's requirements. The ESC told us that its higher cap application processes provide sufficient flexibility to deal with the different circumstances of individual councils and their communities.

Decisions on council priorities rests with elected councillors. Greater Shepparton's councillors chose not to adopt the allowable capped rate increases in 2021–22 and 2022–23, and approved no rate increases.

Audited councils can improve how they engage councillors in financial decision-making

The financial information councils provide to councillors is timely and comprehensive across the 5 councils we examined. But councillors also highlighted that there is room to improve:

- clarity around how projects are prioritised
- how projects are justified and align to the council's long-term planning goals
- the support council executives provide to councillors without a financial or accounting background.

It is important for council executives to provide evidence-based recommendations on approaches to support ongoing financial sustainability.

But while executives can provide advice, councillors' final decisions may or may not follow council executives' recommendations. This may have ongoing and cumulative impacts on a council's financial health.

Addressing this finding

To address this finding, we made 5 recommendations to councils about improving their planning for services, capital works projects and integrated strategic planning.

2.

Our recommendations

We made 6 recommendations to address our findings. The relevant agencies have accepted, accepted in principle or partially accepted our recommendations.

		Agency response(s)
Finding: Most councils can meet their current financial obligations, but key sustainability indicators are declining		
Local Government Victoria	1 Establish and lead a review with councils and relevant stakeholders to: <ul style="list-style-type: none"> define financial sustainability for the local government sector (see Section 4) review and refine councils' financial performance indicators and related guidance to ensure they are relevant, fit-for-purpose, cohort-specific and allow councils to accurately assess their financial sustainability (see Section 4 and Section 5) clearly establish and document the reporting and maintenance requirements for councils' 10-year financial and asset plans (see Section 5). 	Accepted
Finding: Audited councils can strengthen their financial management practices and improve how they plan services and manage infrastructure		
All councils	2 Develop formal service review processes. These review processes should include: <ul style="list-style-type: none"> developing a service catalogue setting a timetable for ongoing service reviews setting internal service effectiveness metrics and indicators regularly reporting service effectiveness results to executive leadership (see Section 5). 	Partially accepted by Northern Grampians Shire Council Accepted in principle by Wyndham City Council Accepted by all other audited councils
	3 Establish a service prioritisation process to guide executive and councillor decision-making (see Section 5).	Accepted in principle by Wyndham City Council Accepted by all other audited councils
	4 Develop business cases for all new capital works project proposals, with lifecycle costs or total ownership cost considerations included as a mandatory part of assessing new proposals (see Section 5).	Partially accepted by Yarra City Council Accepted by all other audited councils
	5 Set defined service and renewal intervention levels for the different asset categories (see Section 5).	Accepted in principle by Yarra City Council Accepted by all other audited councils
	6 Align project and program costs in strategic plans to the 10-year financial and asset plans (see Section 5).	Accepted

3.

Background

Council categories

Victoria's 79 councils are divided into 5 categories based on their location, size, demographics and funding. This makes it easier to compare councils within a cohort, because they typically have similar finances and challenges.

Figure 1: Victoria's council cohorts

Cohort	Definition	Number of councils
Metropolitan	An urban council located within Melbourne's densely populated centre	22
Interface	One of the 9 municipalities that form a ring around metropolitan Melbourne	9
Regional city	A council that is urban and partly rural in character	10
Large shire	A rural municipality with more than 16,000 inhabitants	19
Small shire	A rural a municipality with fewer than 16,000 inhabitants	19

Source: VAGO.

Metropolitan councils are more developed than other council cohorts with bigger, more stable populations. They have more income streams and can make more money than other cohorts through rates and fees, but they have older infrastructure to maintain.

Some larger regional cities and interface councils are in growth areas with more capacity to generate revenue through rates and developer contributions. But they also face increasing demand to provide new infrastructure and scale up service delivery in line with population growth.

Some smaller regional cities, as well as large and small shires, are responsible for large, spread-out areas with smaller populations and limited options to increase their income.

Council income composition varies across cohorts

Councils generate their own-source income primarily through rates, user fees and charges, as well as monetary and non-monetary contributions including contributions from developers. They also receive revenue through tied (conditional) and untied (general) grants.

How much own-source revenue a council generates varies considerably by cohort. Rates and charges are a major revenue source for local governments. In 2023–24, rates and charges made up \$7.5 billion (56 per cent) of the \$13.5 billion total sector-wide income. But this percentage varied by cohort from 64.8 per cent for the metropolitan cohort down to 54 per cent for the small shire cohort.

Small and large shires are more dependent on government grants than other council cohorts to remain financially viable.

For example, a large proportion of Greater Shepparton's and Northern Grampians' revenue comes from government grants. In 2022–23, these grants made up 30 and 49 per cent of their income. Northern Grampians' ability to generate income from other sources (such as rates and user fees) is limited because they have a small rate payer and user base.

In 2023–24 these proportions dropped to 17 and 29 per cent respectively due to the timing of when they received these grants.

Changes in the timing of financial assistance grant payments impact some of the results councils' report in their annual performance and financial statements.

The net result and adjusted underlying ratios for the local government sector are higher in 2021–22 and 2022–23 and lower in 2015–16 and 2023–24. This is because the Victorian Local Government Grants Commission (VLGGC) paid 125 per cent of its financial assistance grant payments in advance in 2021–22 and 2022–23, and did not make a payment in 2023–24.

Inquiries into local government sustainability

Federal inquiry

In March 2024, the Parliament of Australia began an inquiry into local government sustainability. The inquiry focuses on local government's financial sustainability and funding, changing infrastructure and service delivery obligations, and structural impediments to infrastructure and service delivery.

In February 2025, the inquiry released an interim report, which identified the following emerging themes.

- Local government's role has expanded beyond responsibility for rates, roads and rubbish.
- Some councils have taken on increasing responsibility for the management of health, aged and childcare, as well as increasing regulatory roles in development, asset and infrastructure management and planning, housing and climate adaptation management.

The inquiry received submissions on how local government financial sustainability and funding frameworks were being impacted by evolving infrastructure requirements, service obligations and cost shifting.

State inquiry

In November 2024, the Parliament of Victoria released its *Local government funding and services* report. The inquiry's terms of reference were to consider:

- the effects of cost shifting from the state and federal governments to local councils
- whether local councils are adequately delivering on their core service delivery objectives
- the overall revenue structure of local government
- whether existing revenue structure is sustainable or if alternative models of funding would be more sustainable and appropriate
- any other related matters.

The inquiry made 47 findings and 48 recommendations. Five of the findings relate to topic areas in scope for our engagement:

- cost of infrastructure and service delivery
- operating income and operating expenditure
- net result and adjusted underlying result
- cash reserves
- financial sustainability.

Refer to sections 4 and 5 for the findings we made.

4.

Councils' financial sustainability

Most councils met their past financial obligations. They are also meeting their current financial obligations. Key financial indicators for the sector, and most cohorts, show that most councils were able to deliver services and build and maintain infrastructure for their communities.

But financial sustainability indicators are trending down. This means that without action there are increasing risks that some councils, particularly the small shires, may not meet their future obligations to their communities.

Covered in this section:

- Understanding financial sustainability
- Most councils are able to meet their current financial obligations, but key sustainability indicators are declining
- Supporting sustainability indicators also show councils results are declining

Understanding financial sustainability

Financial sustainability

The term 'financial sustainability' is not defined in the Act or *Local Government (Planning and Reporting) Regulations 2020*. Councils are required to comply with underlying financial management principles set out in the Act when establishing their financial policies and when setting their budgets.

These principles include the need to:

- manage revenues, expenses, assets and liabilities in accordance with financial policies and plans
- provide stability and predictability in the financial impact on the municipal community
- monitor and manage financial risks, including risks to financial viability and those related to financial liabilities.

In essence these principles can be distilled into the objective that past and current revenue and expenditure policy settings (both recurrent and capital) should enable a council to:

- continue to deliver its services at its desired service levels and standards
 - meet its current and future expenditure obligations
 - respond to materialising risks and absorb the impacts of foreseeable changes and economic fluctuations without the need to significantly adjust its financial policies.
-

Annual financial report and performance reporting

Under the Act and *Local Government (Planning and Reporting) Regulations 2020*, councils must include an audit financial report in their annual report. The financial report includes:

- an **operating statement** showing annual revenue, income and expenses from all sources – the difference being the operating result, which may be a surplus, break-even or a deficit. The operating result is a primary financial performance measure and, when analysed over time, provides a direct insight into the sustainability of councils' income and expenditure policies. While not reported on the face of the financial statements the operating result may be further decomposed into an 'underlying result', which seeks to indicate the extent to which non-capital operational revenues match or exceed operational expenses
- a **balance sheet** showing council assets and liabilities at the end of each year – the net movement between balance dates shows whether councils maintained or eroded their capital base. A key balance in terms of financial sustainability is the amount of interest-bearing debt (**borrowings**) a council carries, because ultimately debt needs to be paid back either through future operating surpluses or by the sale of assets
- a **cash flow statement** showing opening and closing **cash balances**. The net movement in these balances are sub-categorised into the source and nature of the cash inflows and outflows – operating, investing and financing. Two key net cash flow results are:
 - **net operating cash flows**: these need to be positive over time (that is, net inflows) for councils to invest in assets or service their debt. Negative net operating cash flows mean councils need to use their cash reserves or borrow to fund their asset programs
 - **net free cash flows**: these are calculated as the net cash flows left after operating and investing activities. They show whether councils pay for new assets using only cash generated from their operations. They correspond to the state's 'fiscal cash balance'. Positive free cash flows allow councils to either accumulate surplus cash or to pay off their debts. Negative free cash flows mean that councils did not generate enough cash to finance their annual investment program and used some of their cash reserves to fund their capital works programs.

We consider a council to be operating sustainably if it has been able to maintain operating surpluses over the long-term, on average, or at least has broken even.

Persistent operating deficits over extended timeframes, on the other hand, mean a council's income and expenditure policies are not sustainable. Such structural deficits need revenue and/or expenditure policies to change.

Over shorter, intermediate timeframes, persistent underlying operating deficits can indicate that there is a longer-term risk emerging that councils will become unsustainable.

Financial sustainability indicators

Examining councils' financial sustainability is complex. We use a range of indicators to gain a comprehensive understanding of their financial position and assess their sustainability.

The key financial sustainability indicators we use are:

- **operating ratios**: the net operating result as a percentage of revenue and the net operating cash flow as a percentage of operating cash inflows. A positive net result ratio reflects an operating surplus and a negative ratio reflects a deficit. Sustained deficits mean a council has an issue with its long-term financial sustainability
- **asset management ratios**: asset renewal and upgrade costs as a percentage of depreciation expenses

- **financing ratios:** working capital, which is current assets as a percentage of current liabilities and the loans and borrowings ratio, which is debt (borrowings) as a percentage of rates revenue.

We also use the following supporting indicators because they provide useful supporting information about councils' sustainability:

- **underlying operating ratio:** determined by comparing the adjusted operating results to adjusted operating revenue (that is, excluding one-off capital grants and non-monetary asset contributions)
- **unrestricted cash ratio:** the unrestricted cash balance as a percentage of current liabilities
- **interest coverage ratio:** the interest costs as a percentage of total revenue.

Financial ratios

Financial ratios establish relationships between different reported balances. We use financial ratios because they allow consistent and meaningful comparison over time between councils.

Although the values in a set of annual financial statements demonstrate actual financial performance, it can be difficult to analyse these results over time in absolute terms if the scale of operations and the relative financial statement components composition varies.

It is also difficult to compare performance between councils. Ratios adjust for scale and allow also for comparison to industry benchmarks and to cohort averages.

Most councils are able to meet their current financial obligations, but key sustainability indicators are declining

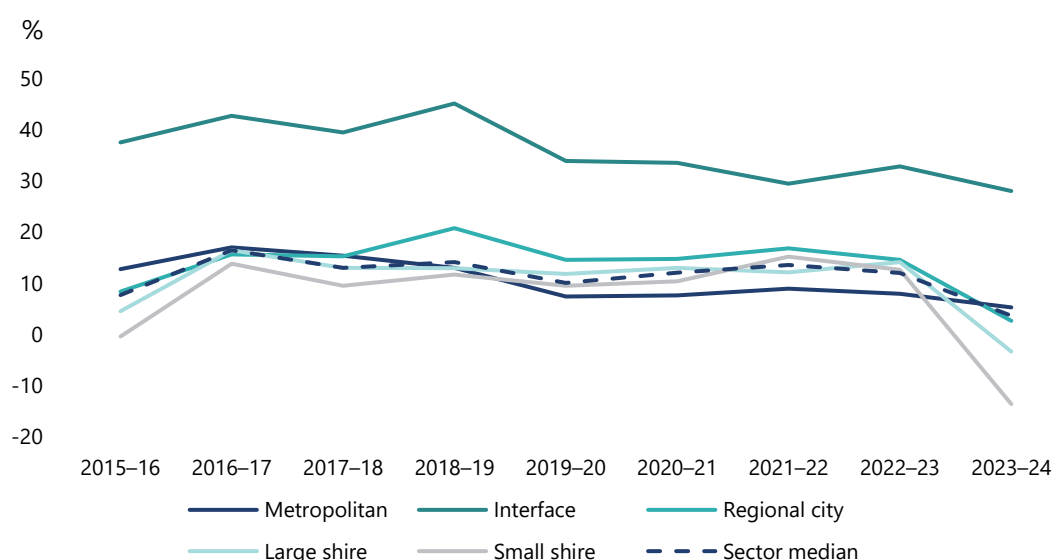
Net result ratio At a sector level, councils' median net result ratios have been positive, but they are trending down. The growth in their total expenses is starting to, or is, outpacing their total income.

The sector net result ratio median is positive every year from 2015–16 to 2023–24. Although there is a downtrend from 2016–17 to 2022–23 from 16 to 12 per cent.

The council cohort net result ratio medians are also positive from 2015–16, except large and small shire councils in 2023–24. There is a downtrend from 2016–17 to 2022–23 for metropolitan and interface councils.

VLGGC did not make financial assistance grant payments to councils in 2023–24, which negatively impacted ratios in this year.

Figure 2: Median net result ratios by cohort from 2015–16 to 2023–24



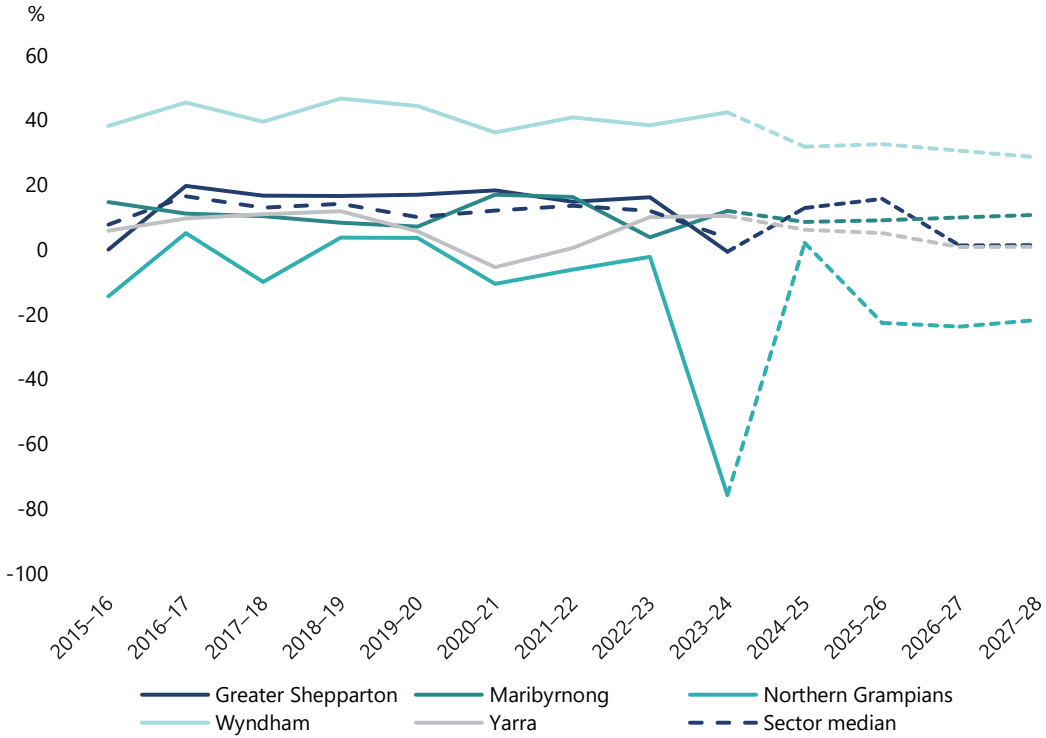
Source: VAGO.

For our audited councils, all except Northern Grampians had net surpluses for most years from 2015–16 to 2023–24:

- Northern Grampians reported net deficits for 6 of 9 years. Its results are below the small shire council median with a similar downtrend. It identifies in its annual reports that structural issues underpin its ongoing net deficits.
- Yarra has a higher proportion of income from fines and user fees compared to the other audited councils. This means it was affected more by COVID-19 and had lower net results from 2019–20 to 2021–22. Its results have returned to pre-COVID-19 levels while the metropolitan council median results are trending down.
- Wyndham’s net surpluses are above the sector median. In 2023–24, 47 per cent of its income came from cash contributions and non-monetary asset contributions including those from developers. Its results have been flat while the interface council median trends down. But it is forecasting a decline in its net results.

All the audited councils, except Maribyrnong, forecast in their 2024–25 budgets a continuing decline in their net result ratios from 2024–25 to 2027–28.

Figure 3: Audited councils' net result ratios from 2015–16 to 2023–24 and forecast results to 2027–28



Source: VAGO.

We discuss the audited councils' financial management practices in Section 5.

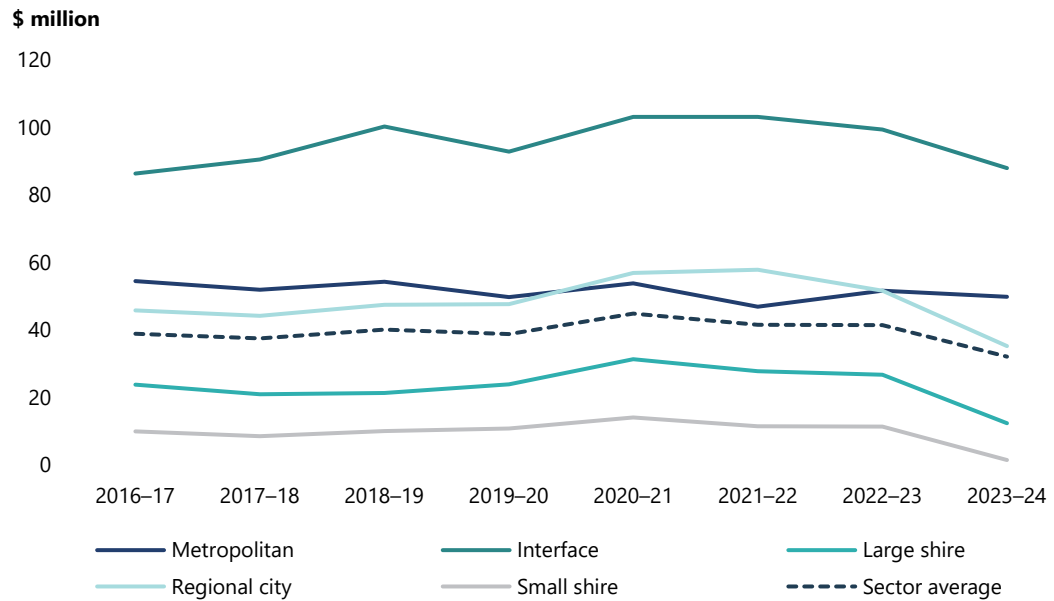
Net operating cash flow

Most councils generate more cash each year than they outlay on their operations. Councils' positive net operating cash flows mean councils can fund their operations and services and use the cash surplus to fund capital projects. But the extent of the surplus is declining.

A negative net operating cash flow would mean that councils are spending more cash than they are generating, which is not sustainable in the short term.

All council cohorts, except for interface councils, have net operating cash flows that are lower in 2023–24 than they were in 2015–16. The audited councils are performing in line with their respective cohorts.

Figure 4: Average net operating cash flow by cohort from 2016–17 to 2023–24



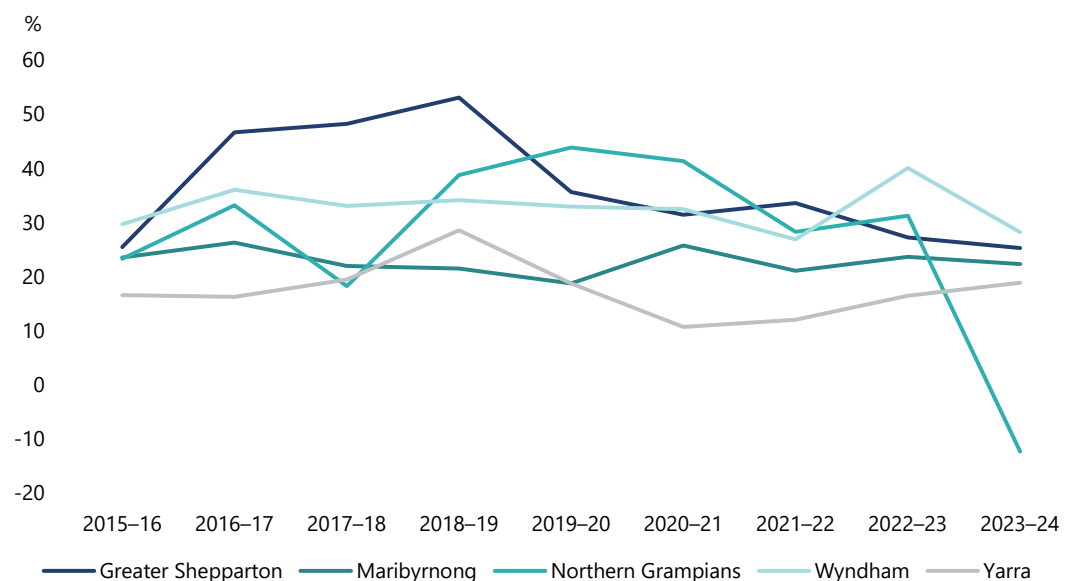
Source: VAGO, based on councils' annual reports.

The net operating cash flows as a percentage of audited councils' operating cash inflows have declined since 2016–17, except for Yarra. The ratio measures how much cash is remaining from council operating activities compared to the total cash generated from the same operations. The larger the percentage, the stronger the result. Declining results mean that councils are generating less cash to pay for operations and fund capital works.

To continue providing services, renewing assets and undertaking capital works in the face of declining net operating cash flows, councils may need to:

- use accumulated cash reserves
- borrow funds
- reassess the types and levels of services they provide
- seek additional support from state and Australian governments.

Figure 5: Audited councils' net operating cash flow as a percentage of operating cash inflows from 2015–16 to 2023–24



Source: VAGO.

As we discuss further in Section 5, in 2023–24 councils did not receive financial assistance grants in advance and used their cash reserves to supplement their capital works programs.

Working capital ratio

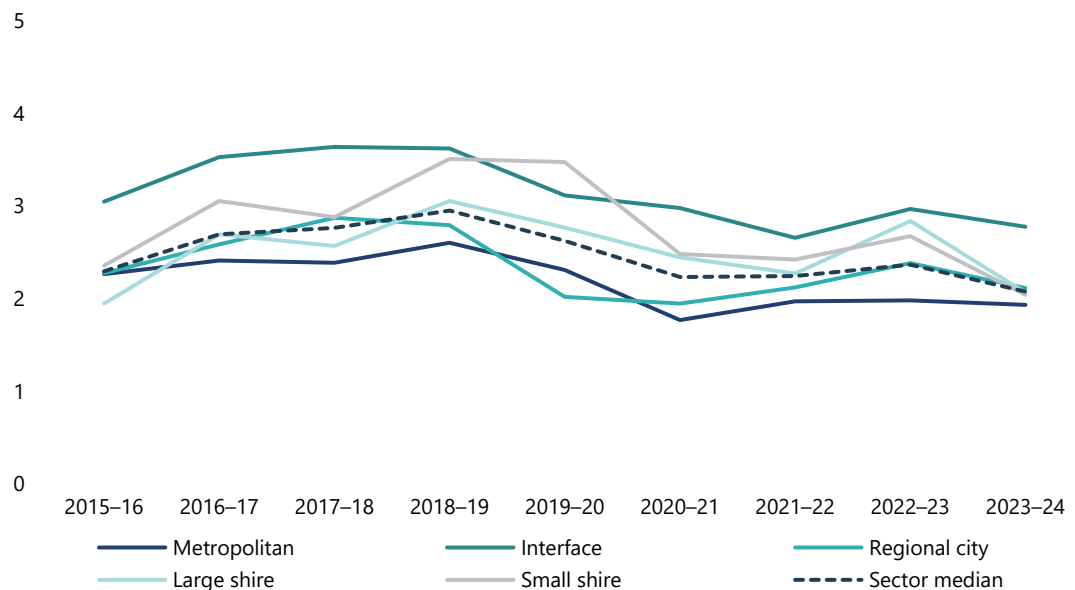
Councils need readily accessible liquid assets, like cash, to pay their bills and deliver services to the community. Councils have the financial resources to pay all their short-term obligations as they fall due. But the sector's working capital ratios have declined since 2018–19.

The working capital ratio is a measure of an entity's ability to meet its short-term obligations. It compares the ratio of current assets to current liabilities. A measure below one indicates that an entity may fail to pay its debts.

In 2016–17, councils' current assets exceeded current liabilities by 2.70 times, compared to 2.08 times in 2023–24. Median working capital ratios across the cohorts are strong.

All cohorts, other than metropolitan councils, had a current asset to current liabilities ratio of greater than 2 in 2023–24.

Figure 6: Median working capital ratio by cohort from 2015–16 to 2023–24



Source: VAGO.

Our audited councils had positive working capital ratios in the period reviewed. Greater Shepparton and Northern Grampians' working capital ratios were below their respective cohort medians in 2023–24.

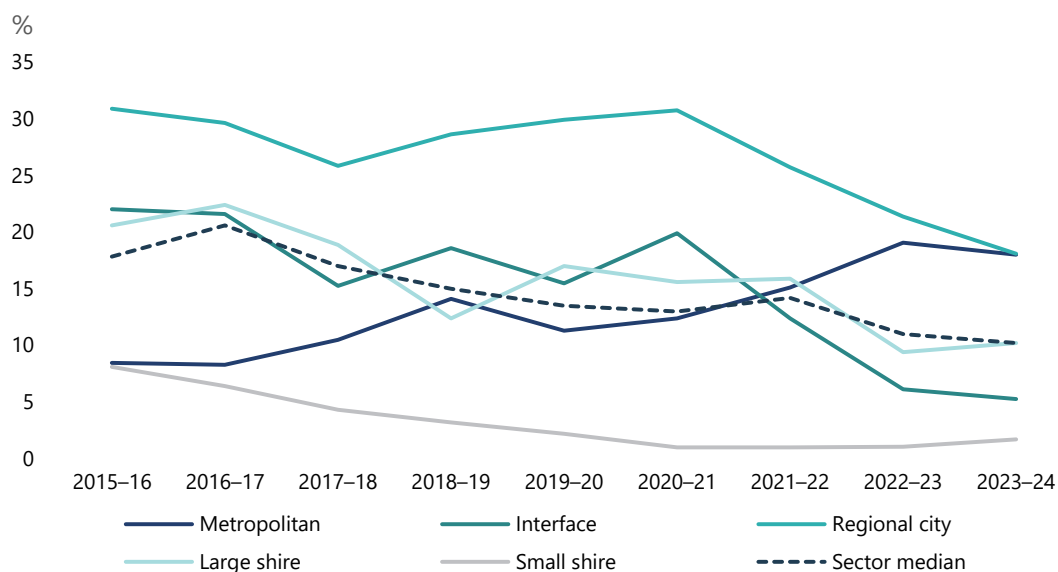
Council debt

In contrast to the operating and cash ratios, councils' loans and borrowings ratios are improving. Councils are borrowing less money to fund the upgrade and build of new infrastructure for their communities.

Low debt levels can be a sign of financial strength and good financial management. But it can also be a missed opportunity if councils do not use their ability to borrow funds to deliver important infrastructure projects that have multi-generational benefits.

The loans and borrowings indicator considers a council's use of debt, when compared to the rates revenue it generates. It is calculated by dividing the interest-bearing loans and borrowings by the rate revenue and expressed as a percentage. A lower ratio means either debt is growing slower than revenue, or debt has been reduced.

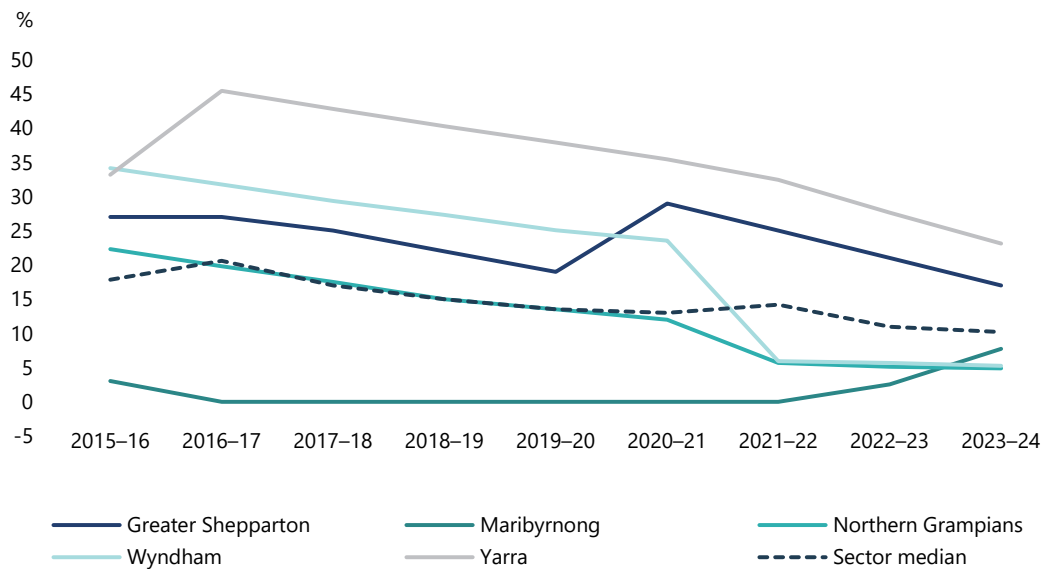
Figure 7: Median loans and borrowings ratios by cohort from 2015–16 to 2023–24



Source: VAGO.

The councils we examined have low and declining debt levels. This is in line with the sector median. Only Maribyrnong increased its loans and borrowings percentage in 2022–23 and 2023–24, but it remains below the sector median. Maribyrnong did not have loans and borrowings from 2016–17 to 2021–22.

Figure 8: Audited councils' loans and borrowings ratios from 2015–16 to 2023–24



Source: VAGO.

Interest coverage

Comparing interest expense to operating revenue provides information on the share of revenue devoted to servicing debt costs.

The sector's expenditure on interest payments represents a small fraction of total revenue.

In the 8 years between 2016–17 to 2023–24, the sector's interest payments were 0.41 per cent of total revenue, on average.

Similarly, all the cohorts spent less than 1 per cent of total income on interest costs in the 8 years from 2016–17 to 2023–24.

Consistent with the sector average, the audited councils spent less than 1.25 per cent of their annual revenue on interest payments over the last 8 years.

Councils need strong policies and guidance to ensure any debt funding does not impair the council's financial wellbeing. For example, councils should consider borrowing to invest in capital projects, if they can service the debt from their own-source income.

We discuss the audited councils' borrowing practices in Section 5.

Council indebtedness

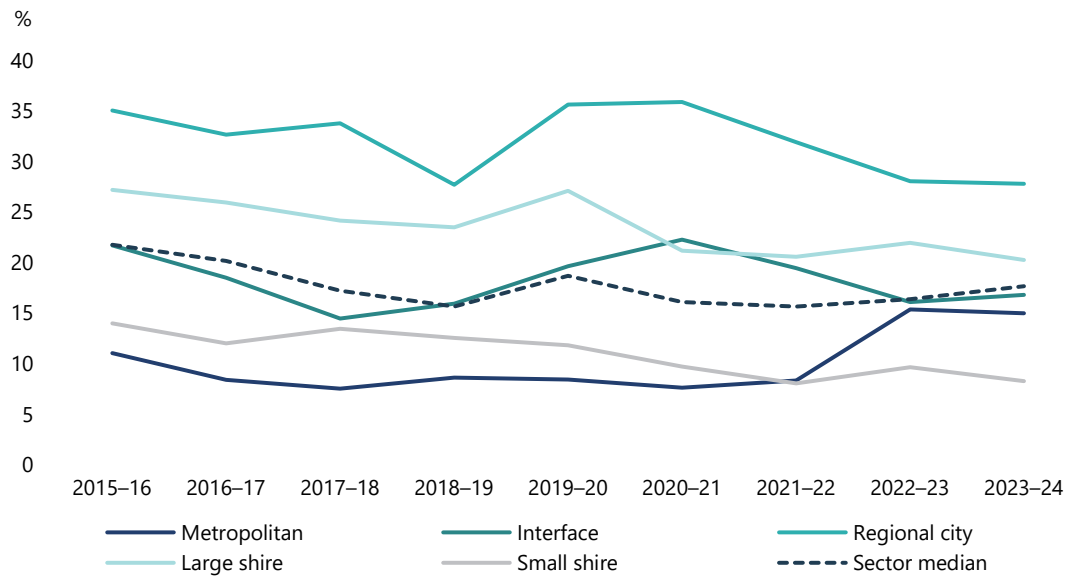
A different way to review whether councils can service their debts and meet their repayment obligations is the indebtedness indicator.

The indebtedness ratio compares non-current liabilities to own-source revenue. It includes long-term liabilities such as long service leave provisions and other provisions.

Councils' indebtedness is generally improving. From 2015–16 to 2023–24, the sector median changed from 22 to 18 per cent. Small shire councils improved from 14 to 8 per cent.

The 2023–24 ratios are lower than 2015–16 except for metropolitan councils, which in 2022–23 increased their long-term liabilities by 7 per cent.

Figure 9: Median indebtedness ratio by cohort from 2015–16 to 2023–24



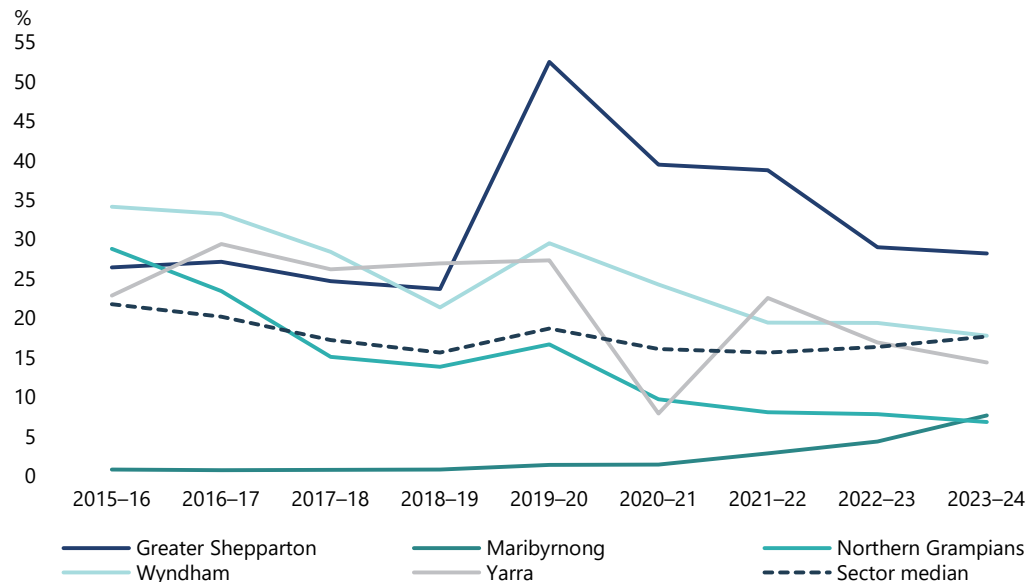
Source: VAGO.

Mostly, the councils we examined reported declining indebtedness ratios. But Maribyrnong’s ratio increased from 1 per cent in 2020–21 to 8 per cent in 2023–24 and Greater Shepparton from 26 per cent in 2015–16 to 28 per cent in 2023–24.

Greater Shepparton and Wyndham reported an increase in the valuation of their landfill rehabilitation in 2019–20 and a decrease in later years. Greater Shepparton’s changes also included the staff entitlements valuation.

Yarra and Wyndham reported moving borrowings from non-current liabilities to current liabilities in 2020–21 and 2021–22 respectively. This lowered their indebtedness ratio in those years.

Figure 10: Audited councils’ indebtedness ratios from 2015–16 to 2023–24



Source: VAGO.

Supporting sustainability indicators also show councils results are declining

Adjusted underlying result ratio

The adjusted underlying ratio shows whether a council is generating enough income from its own sources and from recurring operating grants, to meet its operating expenses including depreciation. The sector's median adjusted underlying result ratio is declining.

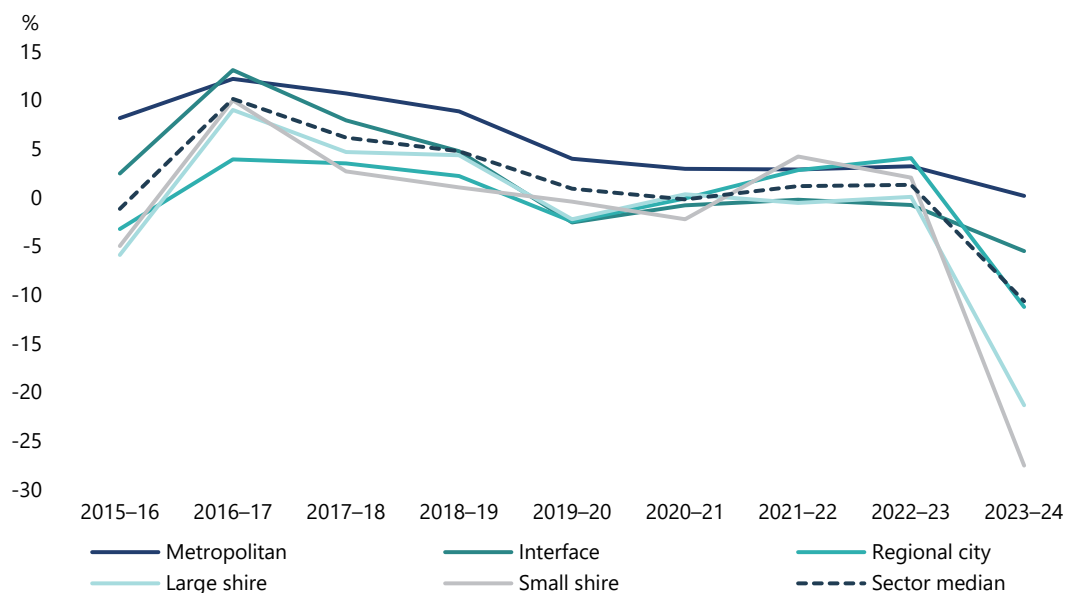
Declining adjusted underlying results mean councils have reduced capacity to meet their ongoing operating costs. A sustained negative trend in this indicator may suggest a council is not managing its expenditure growth, is not growing its own-source revenue, or is not managing the financial viability of its services, which creates longer-term risks to financial sustainability.

The sector median for adjusted underlying ratio was positive, except in 2015–16 and 2023–24, when VLGGC reduced financial assistance grant payments.

Only the metropolitan council cohort median is positive each year, although the 2023–24 result declined to zero per cent. The other council cohorts had negative results in 2015–16, 2020–22 and 2023–24.

There is a downward trend from 2016–17 to 2022–23 for the sector and council cohort medians.

Figure 11: Median adjusted underlying ratio by cohort from 2015–16 to 2023–24



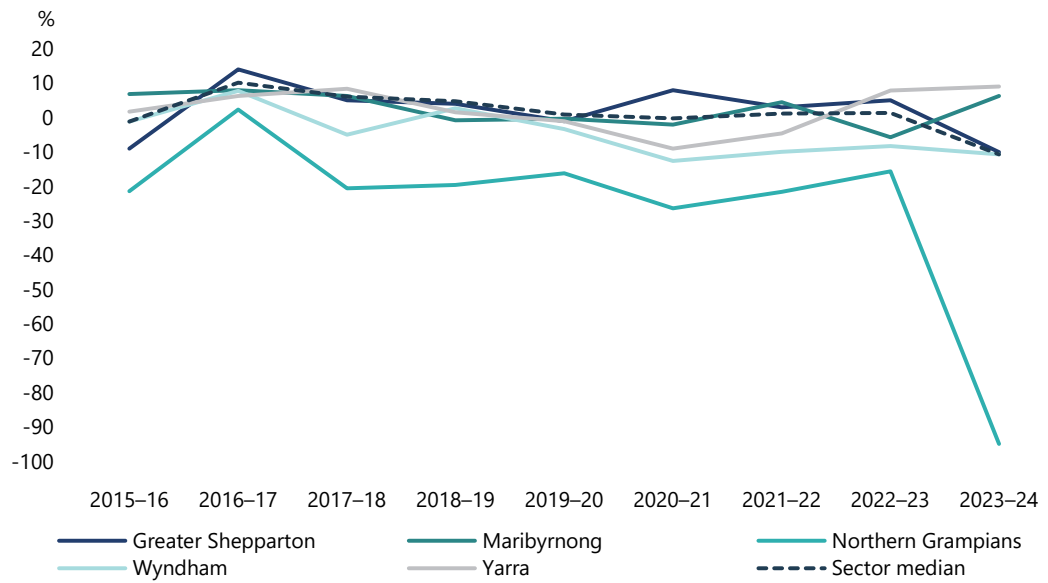
Source: VAGO.

All audited councils reported some adjusted underlying deficits between 2015–16 and 2023–24. Northern Grampians and Wyndham had the most deficits:

- Northern Grampians reported adjusted underlying deficits in 8 of 9 years. Its results are below the small shire council median, with a similar downtrend.
- Wyndham reported adjusted underlying deficits in 7 of 9 years. In 2023–24, 47 per cent of its income came from cash contributions and non-monetary asset contributions, including those from developers. When this income is excluded, its adjusted underlying results show an increasing deficit. It is below the interface council median, with a similar downtrend.

But while the indicator calculation excludes income from non-monetary asset contributions, it includes the depreciation from the same assets. Councils that receive contributed assets might have a worse adjusted underlying result ratio because of the lag between the growth in rates and other own source revenue and the depreciation on new assets received.

Figure 12: Audited councils' adjusted underlying ratios from 2015–16 to 2023–24



Source: VAGO.

Refer to Appendix D for a summary of other factors that affected the audited councils' results.

Unrestricted cash ratio

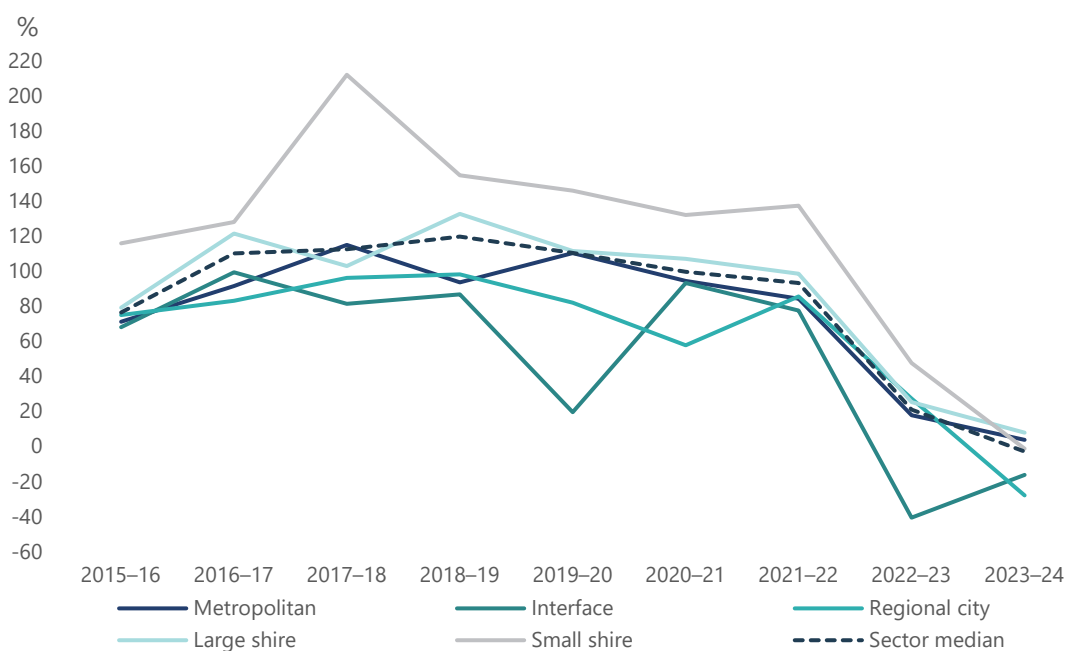
Unrestricted cash is the money a council has for short-term use that does not have restrictions in how the council uses it. Restrictions include things such as unspent conditional grants, cash held to fund capital works not completed in a financial year, statutory reserves and some term deposits. Councils' median unrestricted cash ratio has been positive but declining since 2018–19.

But there are limits to how useful this financial performance ratio is for determining a council's unrestricted cash levels. Some cash balances councils report as restricted are accessible by councils. In line with LGV's guidance, councils classify term deposits with a maturity of more than 90 days as restricted cash. But accounting standards classify these as unrestricted cash. We did not recalculate the unrestricted cash ratio to show the difference in results because we did not have the data.

As Figure 13 shows, the sector median is positive each year from 2015–16 except in 2023–24. While positive ratios grew from 2015–16 to 2018–19, there is a downtrend from 2018–19 to 2023–24 from 120 per cent to negative 3 per cent.

Interface councils reported a 67 per cent reduction in 2019–20 and regional city councils a 24 per cent reduction in 2020–21 before the ratios improved in the following year. The ratio has improved for interface councils in 2023–24.

Figure 13: Median unrestricted cash ratio by cohort, using the Local Government Performance Reporting Framework's methodology, from 2015–16 to 2023–24



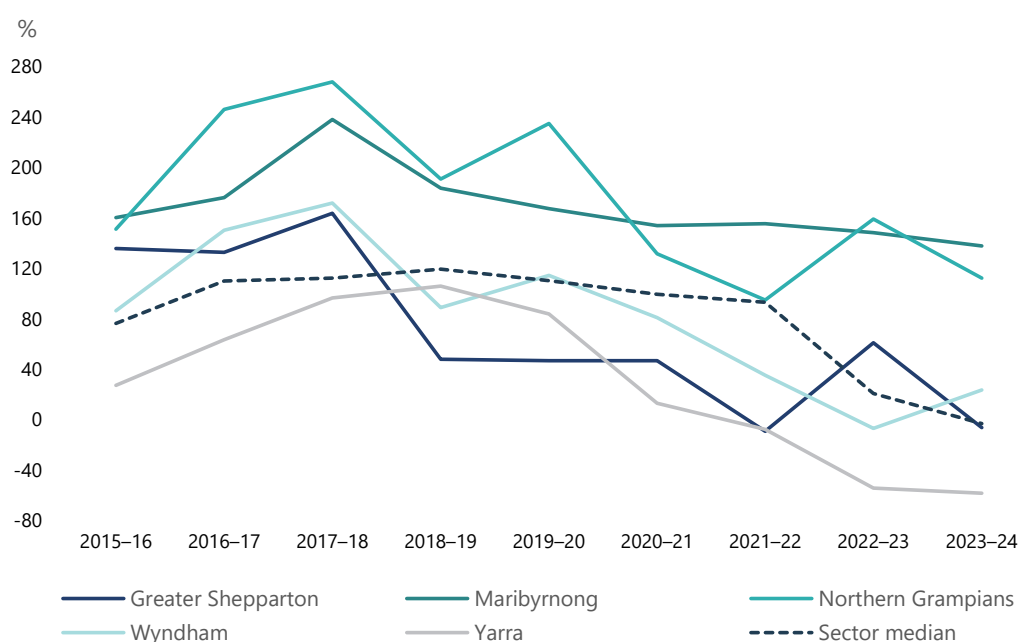
Source: VAGO.

There are similarities in the unrestricted cash ratios between the councils we examined and their respective cohorts. Audited councils reported a decline in their unrestricted cash from 2017–18, 2 years before the COVID-19 pandemic. While Maribyrnong and Northern Grampians results stayed positive, the others' results trended to negative.

This is because councils increased payments into term deposits with more than 90-day maturity. Greater Shepparton did this in 2018–19, 2021–22 and 2023–24, Wyndham from 2020–21 to 2022–23 and Yarra in 2021–22 and 2022–23. But councils can access their term deposits earlier than the set maturity dates at a cost, if they want to.

We discuss councils' financial management practices in Section 5.

Figure 14: Audited councils' unrestricted cash ratio, using the Local Government Performance Reporting Framework's methodology, from 2015–16 to 2023–24



Source: VAGO.

Refer to Appendix D for a summary of other factors that affected the audited councils' results.

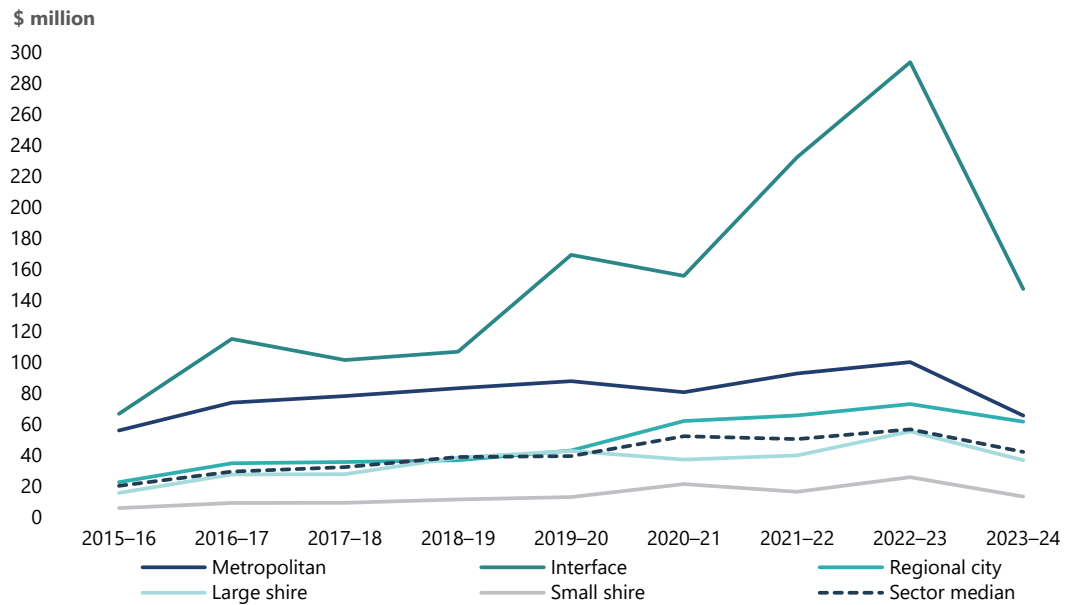
Cash and investment balances

At a sector level, councils' cash and investment balances are growing. This means most councils have been building up cash reserves, which they can use to pay bills and fund capital investments. We discuss how councils fund their capital works programs in Section 5.

Cash balances are the total cash a council has at the bank and in short and medium-term investments.

The sector and cohort median cash balances increased from 2015–16 to 2022–23 and decreased in 2023–24, as Figure 15 shows. The reduction in financial assistance grants paid in advance to councils in 2023–24 meant councils used their cash reserves to supplement their capital works programs in that year.

Figure 15: Median cash balances by cohort from 2015–16 to 2023–24



Source: VAGO.

Cash balances for audited councils also increased from 2015–16 to 2022–23. Wyndham's increase in its cash balance is consistent with other interface councils which generate significant income from rates and developer contributions.

Consistent with their cohorts, cash balances declined in 2023–24 for Greater Shepparton, Maribyrnong and Northern Grampians. But unlike the interface council cohort median, Wyndham's cash balance continued to grow in 2023–24.

We discuss the councils' financial management practices in Section 5.

5.

Councils' financial management practices

At a sector level, most councils are maintaining their assets and funding renewal works from their operating cash flows without borrowing more money or running down their cash reserves. While they are not delivering all their planned capital programs, most councils are funding them in a sustainable way.

Audited councils need to improve their service and capital works planning processes to ensure they can deliver services to desired levels and standards over the long term. Without more active management there is a risk that negative trends in key sustainability indicators will continue.

Audited councils can improve the alignment between their short and long-term planning to improve their decision-making and increase transparency to their communities.

Covered in this section:

- Audited councils can improve the way they plan, monitor and prioritise services
- Audited councils can strengthen their practices for planning capital works projects
- Across the sector, most councils are maintaining their assets
- Most councils are not delivering all their planned capital programs, but they are funding them in a sustainable way
- Audited councils do not fully align their short-term and long-term plans
- Most councils have not sought a rate cap variation and some have not applied the allowable rate cap
- Audited councils can improve how they engage councillors in financial decision-making

Audited councils can improve the way they plan, monitor and prioritise services

Council service delivery

Councils provide a range of services including statutory planning, childcare, waste management, libraries and sporting facilities.

They also build, own and manage community assets such as roads, parks, drainage, recreational facilities and other infrastructure.

Delivering services efficiently requires councils to plan effectively. Councils need to:

- understand the current and future needs of their communities
 - identify the resources needed to achieve desired levels and quality of service
 - compare these to the resources available
 - make informed, rational decisions about how to best allocate their resources.
-

Service planning
and monitoring

The councils we examined all have policies and procedures for service planning. But these policies and procedures are at different maturity levels across the councils.

The audited councils do not use clear internal service metrics and indicators to monitor their service delivery. This means that the councils may not be able to tell whether they are maintaining service levels over time.

Councils use the mandatory Local Government Performance Reporting Framework to monitor and report on a range of services they provide. Wyndham and Yarra started annual processes in 2023 and 2024 respectively to review their services and redesign ones that have a significant deviation from their budget.

Figure 16: Audited councils' service planning processes

Council	Process
Greater Shepparton	Greater Shepparton completed its service planning and review framework in 2024. But its service planning process does not include comprehensive information about the services it offers or its planned and actual service levels.
Maribyrnong	Maribyrnong told us it updates its service plans at the start of a council term and adds information each year on service changes that affect the budget. But it last updated its service plans in 2021–22. This means its information may be outdated by the time a council term ends.
Northern Grampians	Northern Grampians told us service reviews take up considerable resources. This affects its ability to complete service reviews.
Wyndham	<p>In 2023, Wyndham started a process to:</p> <ul style="list-style-type: none">• develop a service catalogue• review the services it offers• redesign services with significant issues. <p>Wyndham updates its service catalogue, internal service metrics and indicators every year. It also tracks how implementing service efficiencies and recommendations is progressing. It reports service reviews outcomes to its executive leadership team every 6 months.</p>
Yarra	<p>Yarra established a framework in 2023–24 and will use this to guide service planning and reviews.</p> <p>But its service catalogue does not include comprehensive information about service offerings or planned and actual service levels.</p> <p>It also does not have a process to regularly update the catalogue.</p>

Source: VAGO.

Prioritising services

Councils need a clear understanding of the services they must provide and should prioritise, and the services they can provide but can adjust, if necessary. Two of the 5 councils we examined did not have clear policies and procedures to guide how they prioritise services and resource allocation.

We found that there are differences in the way audited councils prioritise their services.

For example ...	which means that ...
Wyndham and Yarra’s service catalogues and Maribyrnong’s service plans recognise which services are mandatory. Wyndham and Yarra also include those rated as being of high importance by their communities	these councils can easily show which services should take precedence in resource allocation and service planning.
Greater Shepparton and Northern Grampians do not have a clear process for prioritising their service offerings	the consistency and objectivity of their decision-making may be impacted.

Our 2017 audit, *Delivering Local Government Services*, found that none of the councils we examined had a comprehensive approach to planning and reviewing services.

In our 2017 audit we recommended councils implement planning frameworks that include defining the types and levels of service provided and set clear metrics to assess their performance.

Audited councils can strengthen their practices for planning capital works projects

Asset information

Audited councils have extensive asset information for most of their assets and use this for asset management planning. All the audited councils based their asset planning on condition-based, predictive renewal modelling.

Asset planning practices

There are variances in the maturity of asset planning practices of the audited councils. While the audited councils understand the condition of most of their assets, most have not defined service levels in their policies to trigger and guide renewal intervention.

- Yarra only started condition-based renewal modelling of its roads in 2022–23 and is now rolling out the change in approach to other asset categories. Northern Grampians uses condition-based renewal modelling for its roads only, not the other asset categories.
- All audited councils have limited condition information on their drainage assets. Wyndham had condition information on only 9 per cent of its drainage assets, despite these assets making made up 29 per cent, or \$1.831 billion, of its \$6.236 billion worth of assets on 30 June 2023. Audited councils told us that inspecting these underground assets is a costly activity and they take a risk-based approach when allocating resources to condition assessments of drainage infrastructure.

Only Wyndham and Maribyrnong’s asset plans define levels of service for its assets and set intervention levels by asset category. The defined levels of service guide condition-based renewal modelling and planning as it shows when councils should intervene to renew or replace assets.

Asset service levels

A service level, or level of service, refers to a defined level of quality against which service performance can be measured. Service levels can relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost. Renewals are determined by considering the ability of an asset to meet an agreed standard of service, or ensuring it is in a fit-for-purpose state.

Councils use the following standardised condition rating to understand asset conditions, set service and intervention levels and inform renewal planning.

Figure 17: Condition ratings that guide asset service level planning

Condition rating	Summary	Description
0	Brand new	Newly constructed
1	Excellent	Asset has no defects, asset is practically new
2	Good	Asset exhibits normal wear and tear, minor defects
3	Fair	Asset is in an average condition with signs of deterioration. Repairs are required to prevent faster degradation of asset life
4	Poor	Asset has deteriorated badly. The asset is still functional but shows signs of major wear and tear, and defects
5	Very poor	Asset has reduced functionality. Asset has significant defects

Source: VAGO, adapted from council asset management guidance.

Working well: Audited councils are doing condition-based renewal modelling for roads

All the audited councils are doing condition-based renewal planning for their roads, their most significant assets class. All the councils use predictive renewal modelling that analyses the physical conditions of the roads, based on visual inspections, and models how much and when councils should spend on doing renewal works. The renewal modelling provides councils with different options and cost scenarios, depending on the level of service and the target condition rating the councils aim to maintain. The councils use the modelling options to prioritise their renewal expenditures over a 10-year period. But councils can increase the maturity of their practices in undertaking condition-based renewal modelling.

Key issue: Setting levels of service and defined intervention levels for asset renewal planning

Yarra's current asset plan does not set levels of service for its asset categories. Councils can save money by guiding their asset renewal planning using considered service levels.

For example, in 2024–25, Yarra identified that it could reduce its road renewal expenditure by \$16.6 million over 9 years, while maintaining a reasonable level of service, by recalibrating its service levels for roads renewals. Under this change, roads would still be maintained at a standard that meets community needs. Yarra has told us it is refining service levels for its roads and laneways for inclusion in its 2025 asset plan.

Asset lifecycle costs

None of the audited councils considered or documented the full asset lifecycle cost, or the total cost of ownership in assessing the new capital projects. As a result, the long-term asset plans and financial plans do not reflect the full cost of the new assets.

Assessing the total cost of ownership helps councils to make decisions based on a full understanding of the costs to operate and maintain the new infrastructure into the future.

The councils we examined can improve their capital project planning processes.

Our audit assessed 2 capital works projects from each of the audited councils that they had approved in the 2023–24 budget cycle.

Wyndham and Yarra's project assessment templates require project teams to document and factor in regular operating and ongoing operational maintenance costs as part of total project costs. But these councils did not follow their own guidelines.

Planning capital projects

For the capital projects we assessed, 3 of the 5 audited councils were not consistently developing and using business cases in their capital planning processes.

In our engagement ...	This means that it ...
Greater Shepparton's project approval process does not use or produce an objectively calculated score or rating to help compare and select projects. Greater Shepparton is developing a project assessment tool and intends to start using it in 2025–26.	cannot show if and how it has weighted and prioritised specific capital works projects ahead of other competing priorities.
Northern Grampians approved the projects we reviewed as part of broader action plans for the region but did not develop project specific business plans.	could make decisions without a full understanding of the long-term financial implications of capital projects.
Maribyrnong had a landfill rehabilitation project it started because of requirements from an external agency. But Maribyrnong did not have an internal business case for the project documenting the expected costs, risks, mitigations, benefit realisation and intended outcomes.	could make decisions without a full understanding of the long-term financial implications of capital projects.

Working well: Yarra's mid-year review process

In addition to the recovery from the impacts of COVID-19, Yarra also found savings in its budget.

Yarra introduced a mid-year review of its current operating and capital budgets in 2022–23 to identify potential savings during the budget cycle. Its Chief Executive Officer meets with each manager in December for a line-item review of their budgets for capital projects and services.

In 2023–24 Yarra saved \$695,000 across its capital projects by improving asset management processes and reallocated the project delivery savings it found to 2024–25 capital projects.

Across the sector, most councils are maintaining their assets

Asset renewals

Councils need to maintain and renew their assets to ensure they can continue to provide services and essential infrastructure to their communities.

Guidance provided by LGV suggests that councils should be renewing or upgrading their assets at the same rate that they depreciate so that they can maintain services. Continually spending less on renewals than the rate of depreciation means that councils may need to spend more in future to maintain those assets.

The asset renewal gap indicator is an important financial sustainability measure as it shows whether councils are maintaining their assets at a level that allows them to service their communities.

It measures how much a council is spending on renewing its assets as a ratio of its depreciation charge. Results higher than 100 per cent indicate that councils are maintaining and upgrading assets faster than the rate they are depreciating.

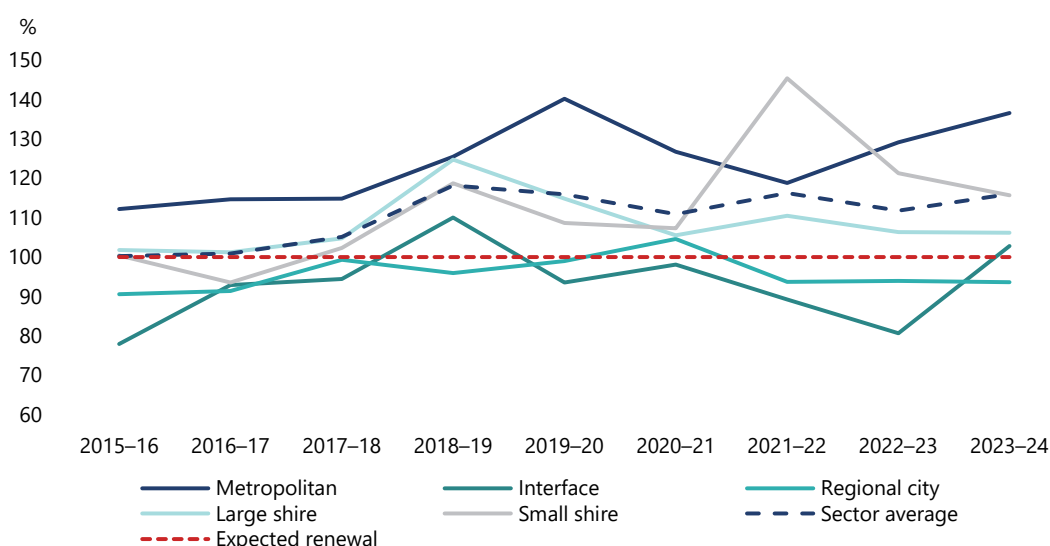
A sustained result below 100 per cent for a council would indicate an underinvestment in existing assets and an ongoing failure to maintain or enhance these to meet service demand.

Councils' asset renewal rates

From 2015–16 to 2023–24, the sector and the metropolitan and large shires spent more, on average, on asset renewals than depreciation, as Figure 18 shows. Small shires, on average, spent more on renewals than depreciation in 8 of the 9 years, interface councils in only 2 of the 9 years and regional cities in one of 9 years.

For the same period, audited councils did not consistently renew their assets at the same rate the assets were depreciating, as Figure 19 shows. Only Maribyrnong and Yarra, on average, renewed their assets at a rate faster than their assets were depreciating. Maribyrnong's 2023–24 renewal spending was significantly higher due to building renewal works it undertook.

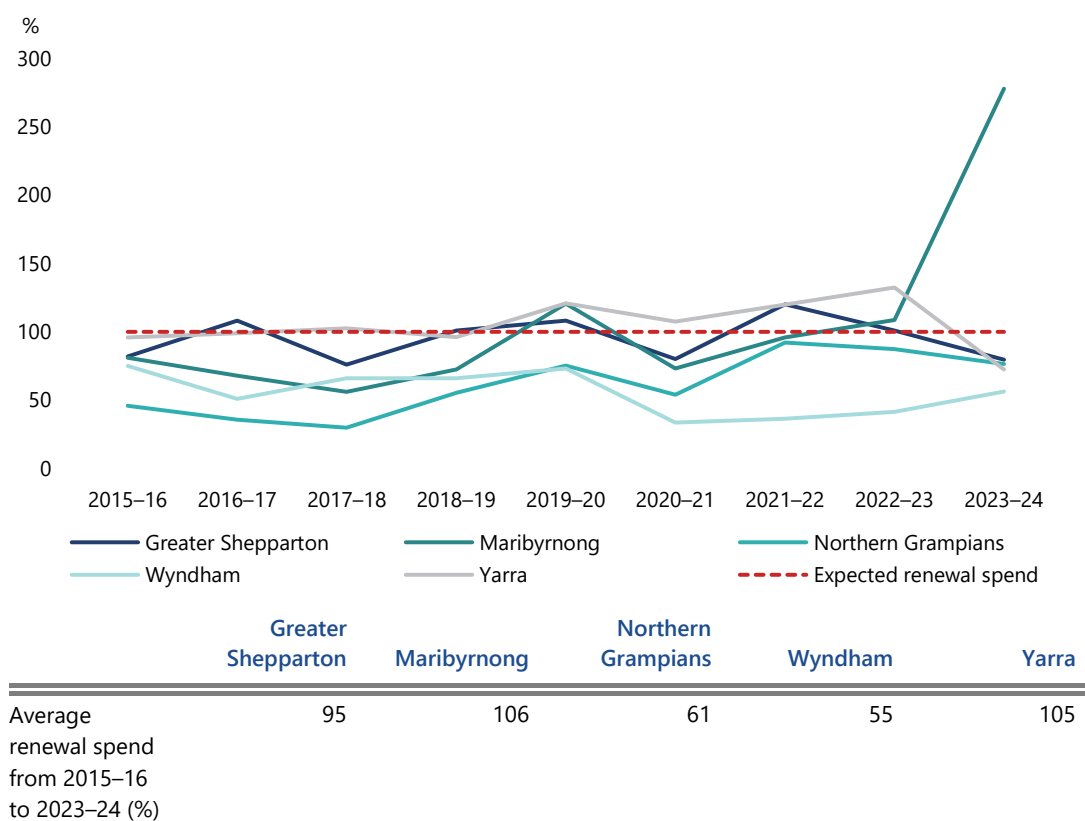
Figure 18: Renewal gap by cohort from 2015–16 to 2023–24



Source: VAGO, based on analysis of council annual reports.

Two of the 5 audited councils, Northern Grampians and Wyndham, did not meet the renewal expectation in any of the past 9 years. Greater Shepparton's average renewal spend over this period is just below its depreciation expense at 95 per cent.

Figure 19: Audited councils' asset renewal indicator results from 2015–16 to 2023–24



Source: VAGO, based on analysis of council annual reports.

According to their asset plans, all audited councils except for Northern Grampians plan to renew assets at rates higher than their modelling suggests they need to maintain them.

Northern Grampians' asset plan acknowledges the rate it is planning to renew assets is not sustainable and will result in a reduced level of service. But it lacks the financial resources to keep up with its renewal obligations.

Wyndham, as a growth council, has newer assets compared to more established councils. Its spending on renewals is less than its asset depreciation expense but enough to renew its assets and consistent with its renewal modelling.

Councils need to better understand their renewal gap and relate this to how much they are spending annually. They should invest enough resources into renewing their assets to meet the ongoing needs of their communities and ensure assets can be used without posing a risk to the safety of users.

Most councils are not delivering all their planned capital programs, but they are funding them in a sustainable way

Delivering capital programs

Across the sector, most councils do not fully implement their plans to renew and replace their assets.

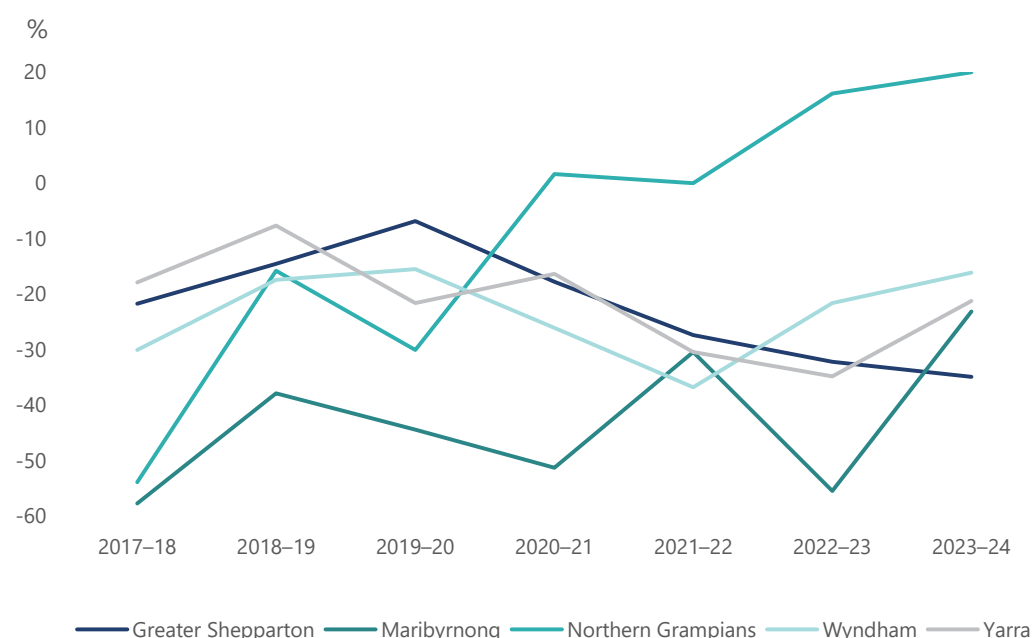
If councils do not deliver capital programs in full, their older existing assets may need more maintenance and increase renewal costs. This potentially presents a risk to the users of the assets.

It can also mean ongoing disruptions to delivering capital programs as councils carry forward delayed or incomplete projects, which impacts their ability to start new projects. Councils may not be using their resources optimally.

The sector did not meet its total capital works budget in any year from 2017–18 to 2023–24. No cohort delivered capital projects as budgeted for, except regional cities which exceeded budget by 6 per cent in 2017–18.

From 2017–18 to 2023–24 none of the audited councils, except for Northern Grampians, delivered their capital programs as planned.

Figure 20: Percentage by which audited councils met or missed their budgeted capital works delivery from 2017–18 to 2023–24



Source: VAGO, based on analysis of council annual reports, budget and forecasts.

Northern Grampians met or exceeded their capital works budget from 2020–21 to 2023–24. Its capital works are largely funded by grants, which can be project specific or not tied to specific use.

Northern Grampians, as a small shire, has a capital works budget that is smaller than councils in the other cohorts. In 2023–24, Northern Grampians' capital works budget was \$12 million. Wyndham's capital works budget for the same year was \$167 million.

Audited councils told us that capital works delivery has been affected by:

- inadequate service planning
- supply chain delays
- ambitious capital works budgets
- carry-forward projects that may need to be finalised before new projects start
- reduced responses to tenders by contractors and contract delays
- internal resource scarcity.

It is important that councils set their capital budgets at levels they can achieve and that they ensure they continue to meet the community's needs for community infrastructure.

Financing capital works programs Across the sector, councils are financing their capital works programs using funds they generate from their operations. Most councils are spending less on their capital expenditure than the cash they have left over after meeting operational costs (their net operating cash flow).

Councils built up their cash reserves and investments by spending less on capital expenditure than their net operating cash flows. This may have some short-term benefits because it allows councils

to respond to risks and absorb foreseeable changes and economic fluctuations without needing to significantly adjust their financial policies.

But it may reflect a lack of maturity in long-term financial planning if councils are not spending enough on new infrastructure or asset renewal for inter-generational use.

All the council cohorts, except for metropolitan councils, spent less on capital works expenditure than their net operating cash flows in 6 out of the 7 years from 2017–18 to 2023–24. Metropolitan councils spent more on capital works than the net operating cash flows in 4 out of the 7 years.

In the same period for the audited councils, Wyndham spent less on capital expenditure than its net operating cash flows in all 7 years. Maribyrnong, Northern Grampians and Yarra spent less than their net operating cash flows in 5 out of 7 years. Greater Shepparton spent less on capital expenditure than its net operating cash flows in 3 out of 7 years.

In 2023–24, all cohorts other than regional cities spent more on capital works programs than their net operating cash flows. In that year councils did not receive financial assistance grants from VLGGC in advance and used their cash reserves to supplement their capital works programs.

As discussed in Section 4, the councils we examined have low and declining levels of debt. Consistent with the sector average, the audited councils spent less than 1.25 per cent of their annual revenue on interest payments over the last 8 years.

Working well: Audited councils are publishing their borrowing strategies

The councils we examined include a borrowing strategy in their financial plans, including a 10-year projection of new loan amounts and the borrowings balance on existing loans. Maribyrnong also includes the associated capital works projects' name.

The audited councils allow for long-term borrowing to fund new infrastructure. Maribyrnong and Yarra limit borrowings to large or major infrastructure projects. Northern Grampians allows borrowing for expanding existing infrastructure. Wyndham also allows borrowing for land acquisition. It considers financing where repayments are serviced by the revenue generated from the new infrastructure.

All audited councils do not allow for borrowing to fund operating expenses. Greater Shepparton recognises this as an unsustainable practice and excludes asset renewal. Wyndham excludes recurrent capital works, such as road resurfacing. Yarra allows for borrowing to fund renewal of existing infrastructure.

Northern Grampians reported an operating deficit in 6 out of 9 years from 2015–16 to 2023–24. Its primary revenue source for new infrastructure is grant funding.

Most audited councils do not fully align their short-term and long-term plans

Aligning strategic plans

Most audited councils' short-term plans do not fully align with their long-term strategic plans. Councils should align their long-term financial plans to provide consistent guidance for council operations.

Under the Act, councils are expected to work with their communities to develop a range of short, medium and long-term plans as part of the Integrated Strategic Planning and Reporting Framework. This includes a community vision, financial plan and an asset plan that cover a period of 10 years, a council plan that covers 4 years and a budget for each financial year and the subsequent 3 financial years.

All audited councils have the 10-year and 4-year plans required by the Act. Councils use LGV's templates to guide their long-term financial planning, but some strategic documents are not aligned with each other:

- Greater Shepparton and Wyndham have different capital expenditure forecasts in their 10-year financial plans and the 10-year asset plan strategic documents.
- Maribyrnong's 10-year capital expenditure forecasts in its financial and asset plans cover different time periods. We could not directly compare the plans.
- Northern Grampians' 10-year asset plan estimates an average \$24.4 million per year for capital expenditure. But, its 10-year financial plan for the same period allows for \$14.6 million per year. The asset plan makes plans for capital works that council acknowledges it cannot undertake.

All audited councils have developed detailed 4-year council plans with themes that set out their strategic direction. But how the councils translate their strategic goals into short-term plans and show these in their annual budgets varies:

- Greater Shepparton's Council Plan identifies its key themes, projects, actions and has associated progress measure.
- Northern Grampians monitors and reports on the progress of its goals and funded strategic actions. But its Council Plan does not include strategic indicators to monitor achievement against its goals.
- Yarra's Council Plan has high-level strategies to respond to the strategic objectives and includes a list of indicators for each objective. The council plan also includes a list of initiatives under each objective and identifies key priorities for services.
- Maribyrnong's annual budget identifies the major initiatives to be funded, their performance measures and how they link with the strategic objectives in its Council Plan. It includes high-level indicators for some service areas in the budget.

Working well: Plans are aligning at the strategic level

Audited councils' financial strategies and plans are aligned at the strategic level. But councils need to more clearly show the link between their high-level strategic priorities, how the practical actions realise these aspirations and indicators to monitor and report on their achievement.

For example, Yarra's Council Plan details its strategic objectives, key priorities for services, initiatives to meet those objectives, and indicators to measure progress towards meeting them.

Updating 10-year plans

Updating the 10-year plans annually allows councils to reflect changes in the factors underpinning their assumptions and be transparent to the community. But 4 out of the 5 audited councils do not update their published long-term financial plans and asset plans. Only Yarra publicly updates its 10-year financial plan annually.

Greater Shepparton, Maribyrnong, Wyndham and Northern Grampians update their internal planning documents and reporting to reflect changes in their assumptions. The 4 councils told us that their interpretation of the Act is that they only need to publish the 10-year financial plan every 4 years, after general council elections. But not annually updating their published long-term plans means the plans:

- are not reflective of current conditions faced by council and are not reliable tools for strategic and operational planning
- are not an accurate source of information for the public and other users of council information seeking to understand council planning
- do not show a 10-year financial outlook, as required by the Act.

Key issue: Different interpretations of the Act

Under the Act, councils must maintain a financial plan and asset plan that shows 10 years of financial projections. To maintain a strategic outlook for 10 years, councils should update their published financial plan and asset plan annually to reflect any changes in the factors underpinning their assumptions.

But the Act does not specify that the plans must be renewed and published annually to achieve this requirement. It says that plans must be developed and adopted after a general election.

Councils' plans do not reflect a 10-year outlook if councils do not update them annually.

Key issue: Councils are not required to report progress against their long-term financial plans

The Act requires councils to report on performance against their budget in annual reports and explain any material variances. But neither the Act, reporting regulations nor LGV requires councils to report on performance against their 10-year financial plan.

Councils could improve transparency and accountability in their financial planning and reporting if they publicly reported progress against their long-term plans.

Long-term planning processes

All councils' 10-year financial plans are based on a template provided as guidance by LGV. But there are differences in the maturity of councils' long-term planning processes. It is not clear if the 10-year plans are being used for strategic management and control purposes or just being completed because the Act requires it.

The financial plan uses annual escalations across its income and expenditure items. These escalations are based on information from the Australian Bureau of Statistics, the Victorian Department of Treasury and Finance, the state budget, the ESC for the rate cap and other factors such as expected enterprise bargaining changes to employee costs.

As discussed, audited councils are not consistently updating long-term financial plans and asset plans to reflect the environments councils are operating in.

Also, while LGV has provided model templates for the financial plan and provides guidance for the asset plan, it does not provide model templates for the 10-year asset plan. There are also no templates or guidance for quarterly reporting.

Most councils have not sought a rate cap variation and some have not applied the allowable rate cap

Rate capping

Applying to increase the rate cap is one strategy councils can use to strengthen their financial sustainability.

In 2016, the Victorian Government introduced rate capping which restricts the amount by which councils can raise their rates each year. The Minister for Local Government sets the rate cap annually, based on advice from the ESC.

Councils can apply to the ESC for a higher cap. Since the rate cap system started in 2016 up to 2024–25, the ESC has received 19 applications for higher caps from the sector. It approved 13 of the applications, including 4 applications that covered multiple years. Four councils did not apply the higher rate cap, once approved.

Of the audited councils, only Wyndham has applied for a rate variation since capping started. Its application to increase the 2016–17 rate cap was not successful.

Audited councils told us they have not requested variations to the cap because of concerns:

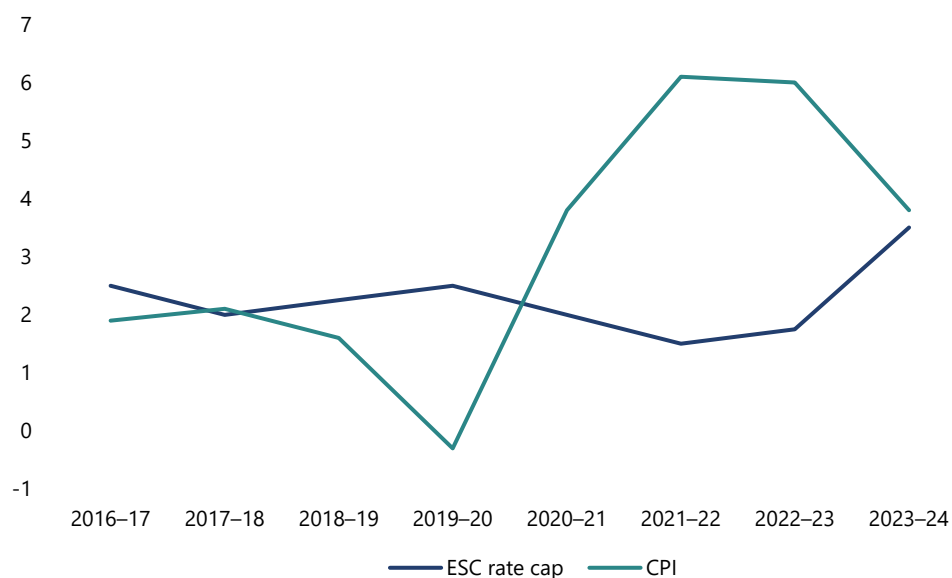
- around the financial impact on the community
- about negative community reaction
- about the time and resources needed to meet the ESC's requirements.

The ESC told us that their higher cap application processes provide sufficient flexibility to deal with the different circumstances of individual councils and their communities.

Audited councils noted that the rate cap does not always reflect the consumer price index (CPI), which means rate increases do not always mirror the rate at which service provision costs change.

From 2015–16 to 2023–24, for 2 of the 5 audited councils, the growth in their total expenses outpaced the growth in their own-sourced revenue.

Figure 21: ESC rate cap compared to CPI



Note: We used the June quarter CPI rates in this graph.

Source: VAGO, based on Australian Bureau of Statistics data and the ESC rate cap advice.

Recommended actions

It is important for the council executive to provide evidence-based recommendations on approaches to support ongoing financial sustainability. But councillors are responsible for the final decision and may not take a recommended action.

The role of the council executive is to advise councillors on financial management matters. But the decisions on council direction and priorities rests with the elected councillors. There are times when councillors make decisions that are contrary to the recommendations of council executive and may have ongoing and cumulative negative impacts on council's financial health.

For example, the ESC approved rate increases of 1.5 and 1.75 per cent for 2021–2022 and 2022–23. The CPI in those years was 3.8 and 6.1 per cent respectively. Greater Shepparton's councillors chose not to adopt the ESC recommended rate caps and did not approve rate increases for 2 years.

Greater Shepparton's executive presented modelling to its councillors showing that not increasing rates in 2021–22 would result in the council losing \$13 million in rates revenue over 10 years. In 2022–23, the modelling showed that not increasing rates for a second year would result in a cumulative loss of approximately \$28 million over 11 years. The executive briefing said that reduced revenue would impact council's current and future liquidity, and result in council having to cut some operational activities.

Audited councils can improve how they engage councillors in financial decision-making

Engaging councillors

Audited councils' councillor briefings on the budget process are timely and comprehensive, but there is scope for councils to improve the engagement process with their councillors.

We reviewed a selection of councillor briefings and responses to a survey by councillors on their experience of engagement with council executives on the budget process. Across the 5 audited councils, we found that the briefings:

- are a mix of written briefings for approval, supported by detailed reports and in-person workshops presenting high-level information on PowerPoint
- are tailored to meet the context and needs of each council
- can include one-on-one sessions with council executives to answer questions and provide additional information
- provide varying levels of detail to councillors on financial matters, depending on the working styles and experiences of councillors, as well as the priorities and size of councils.

There is no formal advice or guidance from LGV or the Municipal Association of Victoria on how council executives should brief councillors.

Working well: Engaging councillors early and with enough time for review

Councillors receive briefings at different times in the budget process, with some councils engaging councillors on their budget priorities as early as November in the previous year.

Maribyrnong's budget process begins with a councillor workshop in February on the capital works budget and fees and charges.

The frequency and comprehensiveness of briefings provided by audited councils indicates that councillors are presented with enough time to review relevant documentation and request further information or advice, if required.

Councillors' feedback

We surveyed all councillors from the 5 audited councils to obtain their input on how they interact with council staff to help with their financial oversight responsibilities. We received feedback from 13 out of 43 councillors. The councillors confirmed that the council staff are responsive to their queries and requests for more information.

Councillors also told us that:

- there is scope for council executives to provide greater clarity with respect to prioritisation of projects, the justification of those projects and alignment with the long-term planning objectives of the council
 - there may be an opportunity to refine the briefing process to highlight key messages and synergies across projects
 - there is need for additional support for councillors without a financial or accounting background.
-

6.

Appendices

There are 4 appendices covering responses from audited agencies, information about how we perform our work, and factors that affected audited councils' financial results

Appendix A: Submissions and comments

Appendix B: Abbreviations, acronyms and glossary

Appendix C: Audit scope and method

Appendix D: Underlying factors affecting results

Appendix A:

Submissions and comments

We consulted with the Department of Government Services, Greater Shepparton City Council, Northern Grampians Shire Council, Maribyrnong City Council, Wyndham City Council and Yarra City Council, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the relevant agency head.

Responses received

Agency	Page
Department of Government Services	A-2
Greater Shepparton City Council	A-5
Maribyrnong City Council	A-8
Northern Grampians Shire Council	A-10
Wyndham City Council	A-13
Yarra City Council	A-18



Department of Government Services

Level 5
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dgs.vic.gov.au

Mr Andrew Greaves
Auditor-General
Level 31, 35 Collins Street
MELBOURNE VIC 3000
By email: [REDACTED]

Dear Auditor-General

PROPOSED REPORT FINANCIAL MANAGEMENT OF LOCAL COUNCILS

Thank you for your letter of 17 July 2025 regarding the Victorian Auditor-General's Office (VAGO) proposed report *Financial Management of Local Councils*.

I appreciate the opportunity to comment on this proposed report, noting that Department of Government Services (DGS) was not an audited entity and accordingly has had limited opportunity to contribute to the report.

DGS welcomes the findings, including that the audited councils can strengthen their financial management practices and improve how they plan services and manage infrastructure. DGS continues to support the financial management practices of Victorian councils through the provision of extensive guidance, models and templates, much of which is done in concert with your office. This ongoing program encourages clarity and consistency while ensuring legislative and regulatory compliance and better practice across the sector.

With regard to the report's recommendation addressed to DGS, it is accepted and the completed action plan enclosed. DGS will work with councils and relevant stakeholders to implement the recommended actions through its existing work program. I agree that the financial management practices by local governments should be a primary focus of improvement going forward, as this constitutes the organisational actions and behaviours that underpin financial sustainability. I welcome VAGO's continued contribution to this project.

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.



Thank you again for the opportunity to comment on the *Financial Management of Local Councils* proposed report.

Yours sincerely

A black rectangular box redacting the signature of Jo de Morton.

Jo de Morton
Secretary

25/07/2025

Enclosed: Completed VAGO Action Plan Template

DGS/LGV action plan to address recommendations from *Financial Management of Local Councils*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	<p>Establish and lead a review with councils and relevant stakeholders to:</p> <ul style="list-style-type: none">• define financial sustainability for the local government sector• review and refine councils' financial performance indicators and related guidance to ensure they are relevant, fit-for-purpose, cohort-specific and allow councils to accurately assess their financial sustainability• clearly establish and document the reporting and maintenance requirements for councils' 10-year financial and asset plans.	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle</p>	<p>The Department of Government Services (DGS) will work with councils and relevant stakeholders to address the VAGO recommendation. DGS notes that the financial performance indicators in the Local Government (Planning and Reporting) Regulations 2020 were reviewed in 2024 in consultation with the sector. Proposed changes to these indicators to better report on councils' financial management and sustainability are now being finalised for the 2026-27 reporting year onwards.</p>	<p>July 2026</p>

[Redacted signature]

Jo de Morton, Secretary, DGS
25 July 2025

GREATER SHEPPARTON
GREATER FUTURE



31 July 2025

Andrew Greaves
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

By Email: [REDACTED]

Dear Mr Greaves

PROPOSED REPORT – FINANCIAL MANAGEMENT OF LOCAL COUNCILS

Thank you for the opportunity to respond to the proposed report on the Financial Management of Local Councils.

Greater Shepparton City Council (Council) has actively participated in the audit process and appreciates the insights provided. We have reviewed the findings and recommendations outlined in the report and have no further comments at this time.

Please find enclosed Council's action plan, which outlines our intended approach to implementing the audit recommendations.

If you have any questions regarding our response, please contact Chris Teitzel, Director Corporate Services, on [REDACTED] or [REDACTED]

Yours sincerely

[REDACTED]

Cr Shane Sali
MAYOR

M25/77023

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Greater Shepparton City Council (GSCC) Action Plan
Financial Management of Local Councils

No	VAGO Recommendation	Acceptance	Agreed Management Actions	Target Completion
2	<p>Develop formal service review processes. These review processes should include:</p> <ul style="list-style-type: none"> • developing a service catalogue • setting a timetable for ongoing service reviews • setting internal service effectiveness metrics and indicators • regularly reporting service effectiveness results to executive leadership. 	Yes	<p>Service reviews within council are currently guided by the Service and Efficiency Review Framework.</p> <p>As identified within the report, GSCC have an established service review catalogue. VAGO's recommendation that this catalogue be expanded to identify statutory and discretionary services is accepted and work is underway.</p> <p>Reporting is provided to the Executive Leadership Team and Councillors on an annual basis, identifying reviews recently undertaken, efficiencies resulting from the review, and to provide oversight of any outstanding service review actions.</p> <p>Work will be undertaken to develop internal metrics and performance indicators for all services within the catalogue.</p>	30 June 2026
3	<p>Establish a service prioritisation process to guide executive and councillor decision-making.</p>	Yes	<p>The Executive Leadership Team consider all services and formally approve annually, those which are to be reviewed each calendar year, considering factors such as staff resources, date of last service review, service demand, community satisfaction ratings and financial analysis (performance against adopted budget).</p> <p>In addition to the above, Councillors are provided with the opportunity to provide input into service reviews, with discussions occurring as part of the annual reporting process.</p> <p>Work is well underway in developing a matrix which compliments the existing service catalogue, identifying characteristics of each service (e.g. legislated, LGPRF performance) which will further support effective prioritisation of services.</p>	30 June 2026

No	VAGO Recommendation	Acceptance	Agreed Management Actions	Target Completion
4	Develop business cases for all new capital works project proposals, with lifecycle costs or total ownership cost considerations included as a mandatory part of assessing new proposals.	Yes	GSCC supports the requirement to develop business cases for all new capital works project proposals. Incorporating lifecycle costs and total cost of ownership as mandatory assessment criteria aligns with our commitment to sustainable asset and financial planning. We will integrate this framework into our project evaluation processes and ensure that all relevant stakeholders are aligned with this enhanced standard.	30 September 2026
5	Set defined service and renewal intervention levels for the different asset categories.	Yes	The establishment of defined service and renewal intervention levels across asset categories is accepted. This approach will enhance consistency in asset management practices, improve forecasting accuracy, and ensure that resources are allocated efficiently based on asset criticality and performance. By setting clear intervention thresholds, we can better manage risk, optimise lifecycle costs, and maintain service levels aligned with organisational objectives. GSCC will develop and implement these standards as part of our asset management framework	30 September 2026
6	Align project and program costs in strategic plans to the 10-year financial and asset plans.	Yes	The importance of aligning project and program costs in strategic plans is acknowledged. GSCC will ensure that future strategic initiatives are developed in close coordination with financial and asset management teams to uphold this standard.	30 September 2026

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31 July 2025

Mr. Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr. Greaves

Re: VAGO audit proposed report: Financial Management of Local Councils

Thank you for your letter of 17 July 2025, and for providing the Maribyrnong City Council with an opportunity to review and respond to the proposed report for the Financial Management of Local Councils Report.

Maribyrnong notes the findings and recommendations specified in that proposed report and confirms acceptance of the recommendation applicable to Councils. The details of Maribyrnong's proposed actions in relation to the recommendation, and when those actions will be completed, are include in the Agency Action Plan (attached).

Yours sincerely



Celia Haddock
CEO



NRS: 133 677 or 1300 555 727
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TIS: 131 450



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Council action plan to address recommendations from *Financial Management of Local Councils*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	N/A			
2	Develop formal service review processes. These review processes should include: <ul style="list-style-type: none"> - developing a service catalogue - setting a timetable for ongoing service reviews - setting internal service effectiveness metrics and indicators - regularly reporting service effectiveness results to executive leadership. 	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>Council will develop a Service Review Framework that will include a timetable for ongoing service reviews. It will also work with internal departments to develop metrics and indicators to measure service effectiveness.</p> <p>Council will continue to develop a service catalogue each financial year, which informs the development of the annual budget. The executive leadership team receive quarterly reports on service effectiveness, Council's financial position and progress on key strategic initiatives including the Council Plan</p>	30 June 2026
3	Establish a service prioritisation process to guide executive and councillor decision-making.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	Council will update a Service Review Framework that will include a prioritisation matrix to guide executive and councillor decision making.	30 June 2026
4	Develop business cases for all new capital works project proposals, with lifecycle costs or total ownership cost considerations included as a mandatory part of assessing new proposals.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	New assets business cases will be included as part of assessing new proposals.	30 June 2026
5	Set defined service and renewal intervention levels for the different asset categories.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	Maribyrnong currently has a defined Asset Plan in place that outlines service levels and sets intervention thresholds by asset category.	Completed
6	Align project and program costs in strategic plans to the 10-year financial and asset plans.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	Maribyrnong's current versions of the asset and financial plan program costs and 10-year financial are in alignment.	Completed



1 August 2025

Enquiries: 03 5358 8700

Victorian Auditor-General's Office

Email: [REDACTED]

Dear [REDACTED]

VAGO Proposed Report – Financial Management of Local Councils Audit

We are generally supportive of the report in its current form. The recommendations suggested are reasonable, and we have a plan to implement most of the recommendations. Specifically, we endorse the regular updating of the 10-year plan to reflect any emerging changes.

Small rural councils like Northern Grampians Shire Council have significant sustainability issues that cannot be resolved through improved financial management alone. The fundamental challenge we face is that our cash surplus from operations, excluding capital grants, is approximately \$5 million. In contrast, renewing our \$684 million worth of assets requires between \$16 and \$19 million annually. Clearly, better financial management alone cannot bridge the \$11 to \$14 million gap.

While we are currently reviewing our asset inventory and the services standards we maintain, this review is unlikely to resolve the renewal gap while adequately meeting our community's needs.

Yours faithfully

[REDACTED]
BRENT McALISTER
CHIEF EXECUTIVE OFFICER



Northern Grampians Shire Council
LIVE | WORK | INVEST | VISIT

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council action plan to address recommendations from *Financial Management of Local Councils*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	N/A			
2	<p>Develop formal service review processes. These review processes should include:</p> <ul style="list-style-type: none"> • developing a service catalogue • setting a timetable for ongoing service reviews • setting internal service effectiveness metrics and indicators • regularly reporting service effectiveness results to executive leadership. 	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> In part <input type="checkbox"/> In principle	<p>Agree in part except for developing effectiveness metrics and indicators and reporting of said indicators in the short term. That would need to be an activity undertaken as a secondary project. We agree to develop a service catalogue, a timetable for service reviews.</p>	February 2026
3	<p>Establish a service prioritisation process to guide executive and councillor decision-making.</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>Agree. The process of prioritising services will need to be determined and ratified by council.</p>	February 2026

4	Develop business cases for all new capital works project proposals, with lifecycle costs or total ownership cost considerations included as a mandatory part of assessing new proposals.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	Agree. A process will be developed and implemented as part of the budget development process for next years budget.	January 2026
5	Set defined service and renewal intervention levels for the different asset categories.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	Agree. Service and renewal intervention level for different asset type will be defined.	December 2025
6	Align project and program costs in strategic plans to the 10-year financial and asset plans.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	Agree. A process will be developed to integrate strategic and assets plans to the 10 year financial plan.	June 2026

Response provided by the Mayor, Wyndham City Council



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Your Ref:
Our Ref: A4857106

5 August 2025

Andrew Greaves
Auditor General
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Andrew,

Re: VAGO audit proposed report: Financial Management of Local Councils.

Thank you for your letter dated 17 July 2025, and for affording Wyndham City Council the opportunity to consider and respond to the proposed Financial Management of Local Councils report.

The Council acknowledges the findings and recommendations outlined in the proposed report and confirms its acceptance of those relevant to Wyndham. The details of the Council's proposed actions in relation to the recommendations and anticipated timeline for completion, are included in the Council's action plan.

Should you have any additional questions, please contact Mark Rossiter, Director Corporate Services at [REDACTED].

Yours sincerely



Mia Shaw
Mayor
Wyndham City Council

c.c. Stephen Wall, Chief Executive Officer
Mark Rossiter, Director Corporate Services
Jacquetta Griggs, Chief Financial Officer
Alex Sanchez Nava, Finance Manager

council action plan to address recommendations from *Financial Management of Local Councils*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	N/A			
2	<p>Develop formal service review processes. These review processes should include:</p> <ul style="list-style-type: none"> • developing a service catalogue • setting a timetable for ongoing service reviews • setting internal service effectiveness metrics and indicators • regularly reporting service effectiveness results to executive leadership. 	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle	<p>As per page 25 of the Financial Management of local Councils Victorian Auditor-General's Report 2024–25, Wyndham City Council already undertakes this process and has a mature service catalogue. Wyndham City Council commits to ongoing updates and maturity of information within its service catalogue. It also commits to ongoing service reviews, in line with the process demonstrated through this audit process. Wyndham City Council has committed to better understanding the cost drivers for each service and reporting service efficiencies and effectiveness in line with the Council's back to black plan.</p> <p>The first service review cycle completed in October 2024 where the consolidated actions and internal service metrics and indicators were defined and designed. The process for the second cycle is currently under review and it is expected to start in January 2026 which creates a timetable for ongoing service reviews.</p> <p>Organisation-wide dashboards are currently being developed to create a single source of truth for service review metrics which will provide regular reporting and effective results to the executive leaderships.</p>	<p>Ongoing – Service Catalogue is reviewed annually in September</p> <p>New methodology will be defined by December 2025 and start cycle 2 will commence in January 2026.</p>

3	Establish a service prioritisation process to guide executive and councillor decision-making.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle	<p>As per above, this is already occurring. The process to update Wyndham City Council's service catalogue includes ensuring updated annual data that gauges the importance of services to the community. It also ensures definitions of services are updated to ensure clarity around mandated services vs discretionary and essential, as discussed during this audit process.</p> <p>In addition, the Future Wyndham deliberative process that ran in February and March 2025 provided the community panel with this information so as to allow them to make recommendations back to Council on what services/functions of Council are deemed a priority. You can read the recommendations of this panel, used to inform the development of the Council Plan, Asset Plan and Long Term Financial Plan here.</p>	<p>Ongoing – Service Catalogue is reviewed annually in September</p>
4	Develop business cases for all new capital works project proposals, with lifecycle costs or total ownership cost considerations included as a mandatory part of assessing new proposals.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>The Project Management Framework (PMF) and full project lifecycle have been refined and re-established, incorporating project briefs and business case templates tailored for various project types. Each project is required to follow this process through the governance framework currently being implemented.</p> <p>The business case templates include long-term capital planning and forecast operational expenditure (OPEX) upon project handover to the business owner.</p> <p>Additionally, we are developing a standardized method to establish budget histograms for each</p>	<p>Business Case Templates: Dec-2025</p> <p>Business Case for all new projects: March-2026</p> <p>Capital Multi-year budget profile: Dec-2026</p>

			project aligned to their schedule and long-term capital planning. In the future, OPEX data captured in business cases will be consolidated to form an OPEX budget profile for forthcoming years.	OPEX budget profiling: July-2027
5	Set defined service and renewal intervention levels for the different asset categories.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>Wyndham City Council has adopted a strategic approach to asset renewal, supported by the Asset Plan 2025–2035, which outlines service objectives and renewal priorities across major asset categories. To strengthen this, the Asset Management team is formalising defined renewal intervention levels by asset class using condition data, risk profiles, and functional performance parameters (including capacity and criticality). These thresholds are developed in alignment with lifecycle modelling practices and are embedded into the TechOne Asset Management System (AMS) to ensure consistent, data-driven renewal planning across portfolios. This initiative aligns with ELT Strategic Priorities on financial sustainability and supports the City Operations Business Plan objective for long-term investment optimisation.</p>	31 March 2026

6	Align project and program costs in strategic plans to the 10-year financial and asset plans.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>Wyndham City Council's long-term financial and asset planning processes are underpinned by integrated lifecycle costing. All capital projects are now required to consider ongoing operational and maintenance implications.</p> <p>The TechOne AMS and associated capital project business case templates are being enhanced to ensure alignment between project cost estimates, funding strategies, and asset lifecycle projections. Furthermore, the updated Long-Term Asset Plan and Financial Plan are cross-referenced during annual budgeting and service planning cycles to ensure projects are prioritised based on financial capacity, risk, and strategic alignment.</p>	30 June 2026
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In reply please quote: D2025/0292335
Contact: John Brockway [REDACTED]



31/07/2025

[REDACTED]
Senior Manager, Parliamentary Reports and Services
Victorian Auditor-General's Office
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Dear [REDACTED],

Response to Proposed Report: Financial Management of Local Councils

Thank you for your letter of 17 July 2025 and the opportunity to provide feedback to the audit.

We have reviewed the "Financial Management of Local Councils" Report and acknowledge the findings related to our financial management and operational practices. We are committed to continuous improvement and transparency and thank the Auditor-General's office for their professional and constructive approach throughout the audit process and their commitment to ensuring ongoing transparency and accountability in the Victorian public service.

Key Finding 1: Most Councils can meet their current financial obligations, but key sustainability indicators are declining

We acknowledge the significant financial impact of the COVID-19 pandemic on Council's financial sustainability, particularly on councils with a higher reliance on user fees and fines, such as Yarra. Lower net results for Yarra City Council reported during 2019-20 to 2021-22 were a direct consequence of reduced economic activity and public health restrictions. The impact of the Victorian State Government's rate cap at levels below cost increases has also created a significant financial sustainability challenge to Victorian Councils, with the growth in expenditure outpacing growth in revenue.

We note the general lack of understanding around the Victorian State Government's rate cap, and the attractiveness politically of setting a zero or below-cap rate increase that provides a short-term and popular outcome that is incongruent with longer-term financial sustainability outcomes, especially in periods of high inflation.

We also acknowledge the increasing toll of cost and responsibility shifting from other levels of government to local government and its impact on long term financial sustainability. These concerns were also noted in recent inquiries held by both Commonwealth and Victorian State Governments into the sector. These reports noted that councils are taking on increasing responsibility in management of health and aged and early years services, as well as increasing regulatory roles in development, asset and infrastructure management and planning, and housing and climate adaption and management.

We urge caution regarding assumptions linked to the increase in Council cash reserves across the audit period. Movements in cash balances can vary significantly year to year, especially due to commonwealth and state grants. Also, Councils in general, but especially

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in growth areas, collect developer contributions that are linked to specific future capital works that may not be delivered for a number of years.

Key Finding 2: Audited Councils can strengthen their financial management practices and improve how they plan services and manage infrastructure

The City of Yarra implemented its Financial Sustainability Strategy (FSS) in the 2023-24 Financial Year. The FSS has goals over both the short and long term to ensure financial sustainability for Council:

- 0-2 years: maintain a net positive position by delivering a surplus, ensure our operating activities no longer relies on borrowings, hold costs and start to build cash reserves for specified purposes.
- 3-5 years: achieve a financial position where Council has sufficient cash reserves to repay borrowings, generate new revenue, can cover all known operating expenses without borrowing, deliver a long-term financial plan that more reliably reflects future financial requirements (unknown risks), and have cash reserves for risk and strategic growth.
- Within 10 years: ensure that Council has sufficient cash reserves to meet unforeseen or emergency expenses and support population growth without relying on borrowing or compromising essential services.

We recognise that financial sustainability is an ongoing issue for the local government sector and the impact of rate capping is impacting Council's ability to respond to emerging economic challenges. These challenges have been confirmed by recent inquiries into the sector's financial sustainability by both the Commonwealth and State Government. Yarra City Council advocates strongly for the increase of Commonwealth funding through financial assistance grants and a review of the Victorian State Government's rating framework.

We also note that measuring and reporting financial sustainability can be complex, including the application of metrics such as "Unrestricted Cash" in line with LGV guidelines that can lead to distorted results, such as reporting a negative figure for the "unrestricted cash" ratio when investments held in term deposits can be converted to cash at will. Council will continue to work with peers, industry representative bodies, and state government to enhance local government financial reporting and financial literacy.

Council further notes the challenges on its financial position presented by changing government policy regarding planning, taxes, and cost shifting, including:

- The cost of protecting public health and wellbeing through the provision of open space in an urban environment, especially with some high-density developments exempted from making open space contributions.
- The implementation of new or higher state government taxes on Council and our ratepayers, such as the Emergency Services Volunteer Fund Levy and the Congestion Levy.
- Increasing cost shifting to the sector, whether through Workcover premiums, election costs, library and maternal and child health costs and reducing funding support from State government.

We consider that our financial performance is widely reported against budget on both a quarterly basis and through our annual report. Whilst Council agrees that updating our long-term plan on a regular basis provides a good foundation for strategic financial planning, we contend that reporting against an outdated financial plan (when already reporting against budget) would lead to an unnecessary duplication of reporting, be an inefficient use of

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council resources, place undue pressure on internal resources, and ultimately lead to little or no benefit to the organisation or the industry.

Our proactive approach to financial sustainability planning and management through the implementation of Council's Financial Sustainability Strategy illustrates the importance that we place on the ability of Council to provide consistent and resilient services and infrastructure to our municipality.

We are also pleased to report that Yarra established a new framework in 2023–24 to guide our service planning and reviews. This framework will ensure our service catalogue includes comprehensive information, planned and actual service levels, and a regular update process to support strategic decision-making and ongoing monitoring of service provision.

Council has also carried out service reviews on its Environmental Health and Home Maintenance and modification services (and implemented improvements) and School Crossing services. Further improvements include the updating of Council's Service Planning and Review framework, regular and formal service catalogue reviews, and the adoption of a benefit tracking system (based on DTF's *Benefit Management Framework*).

We appreciate the Victorian Auditor-General's Office report for its valuable insights and recommendations. Yarra City Council is dedicated to addressing areas for improvement and further enhancing our financial management and service delivery for the benefit of our community.

Please do not hesitate to contact our Chief Finance Officer, John Brockway ([REDACTED]) if you have any questions or require further information.

Yours sincerely,

[REDACTED]

Kerry McGrath
Acting Chief Executive Officer

Yarra City Council – Action Plan to address recommendations from *Financial Management of Local Councils*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	N/A			
2	Develop formal service review processes. These review processes should include: <ul style="list-style-type: none"> • developing a service catalogue • setting a timetable for ongoing service reviews • setting internal service effectiveness metrics and indicators • regularly reporting service effectiveness results to executive leadership. 	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	Yarra established a new Service Review framework in 2023-24. The framework will ensure our service catalogue includes comprehensive information, planned and actual service levels, and a regular update process to support strategic decision making and ongoing monitoring of service provision.	Completed
3	Establish a service prioritisation process to guide executive and councillor decision-making.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	As noted in the “working well” section of the recommendation, Yarra’s Council plan details its strategic objectives, key priorities for services, initiatives to meet those objectives, and indicators to measure progress towards meeting them.	Completed

4	Develop business cases for all new capital works project proposals, with lifecycle costs or total ownership cost considerations included as a mandatory part of assessing new proposals.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> In part <input type="checkbox"/> In principle	Yarra already uses a business case model for all new capital works and project proposals, but will update these models with lifecycle costs or total ownership cost considerations included as a mandatory part of assessing major project proposals	30 June 2026
5	Set defined service and renewal intervention levels for the different asset categories.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle	<p>Council already has a mechanism for intervention levels for some asset classes – road management plan, drainage inspections, routine building maintenance schedules, fleet renewal programs.</p> <p>Council will develop further renewal intervention levels for the remaining asset types to inform officer's recommended renewal programs.</p> <p>Council will develop service intervention levels considering functionality and capacity for the different asset categories to inform officer's recommended upgrade, new, and disposal programs subject to financial sustainability.</p>	<p>30 June 2027</p> <p>30 June 2027</p>

6	Align project and program costs in strategic plans to the 10-year financial and asset plans.	<div><input checked="" type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div> <div><input type="checkbox"/> In part</div> <div><input type="checkbox"/> In principle</div>	Yarra's project and program costs are already aligned, with the 10-year financial plans updated annually in line with the annual budget process.	Completed.
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Appendix B:

Abbreviations, acronyms and glossary

Abbreviations We use the following abbreviations in this report:

Abbreviation	Full spelling
the Act	<i>Local Government Act 2020</i>
Greater Shepparton	Greater Shepparton City Council
Maribyrnong	Maribyrnong City Council
Northern Grampians	Northern Grampians Shire Council
Wyndham	Wyndham City Council
Yarra	Yarra City Council

Acronyms We use the following acronyms in this report:

Acronym	Full spelling
CPI	consumer price index
ESC	Essential Services Commission
LGV	Local Government Victoria
VAGO	Victorian Auditor-General's Office
VLGGC	Victorian Local Government Grants Commission

Glossary

The following terms are included in or relevant to this report:

Term	Explanation
Level of assurance	<p>This is a measure of the confidence we have in our conclusions. The quality and quantity of evidence we obtain affects our level of assurance.</p> <p>We design our work programs with the information needs of our report users in mind. We consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate.</p>
Limited assurance	<p>We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. But, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements assurance reviews and typically express our opinions in negative terms. For example, 'nothing has come to our attention to indicate there is a problem.</p> <p>See our assurance services fact sheet for more information.</p>
Reasonable assurance	<p>We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to draw a conclusion against an objective with a high level of assurance. We call these performance audits.</p> <p>See our assurance services fact sheet for more information.</p>

Appendix C:

Audit scope and method

Context

What councils do

Councils deliver more than 100 different services to their communities. This includes maternal and children’s healthcare, waste management, libraries, and sporting facilities. They own and manage community assets such as local roads, bridges, parks, recreational facilities, buildings, drainage and other infrastructure.

Councillors are elected to make considered and well-informed decisions that represent the interests of their community.

They have a statutory obligation to ensure the ongoing financial viability of their council.

Guiding legislation

The *Local Government Act 2020* sets out the legislative requirements for planning and financial management of councils. The Act requires councils to prudently manage financial risks and operate strategically to provide stability in servicing the municipal community.

Scope of this audit

Who we examined

We examined the following councils:

Council	Their key responsibilities
Greater Shepparton	Councillors have a statutory obligation to ensure the ongoing financial viability of their council.
Maribyrnong	Councils have legislative requirements for planning and financial management including financial responsibilities to prepare and:
Northern Grampians	<ul style="list-style-type: none">• adopt a council plan that identifies its strategic direction and objectives
Wyndham	<ul style="list-style-type: none">• adopt a financial plan and asset plan for at least the next 10 financial years
Yarra	<ul style="list-style-type: none">• adopt a budget for each financial year ensuring it gives effect to the council plan• adopt an annual report on operations including audited performance and financial statements.

Our audit objective

To determine whether local councils manage their resources to meet the needs of their communities in a financially sustainable way.

What we examined

Our engagement assessed whether councils are managing their financial resources in alignment with their strategic planning to enable continued financial sustainability and provide quality financial advice to councillors.





We examined:

- the sector, cohorts and the audited councils' past and current financial results, and expected financial outcomes to assess council financial sustainability
- their processes and procedures to prepare council plans and budgets
- whether their budgeting is evidence based
- whether their asset management and capital program decisions are based on an understanding of asset conditions and renewal needs
- whether they review, adjust and make service delivery decisions based on a current understanding of their service offerings
- whether their executives support councillors in making well informed decisions by providing advice that accurately reflects the underlying information in financial plans and budgets.




Aspects of performance examined

Our mandate for performance audits and reviews includes the assessment of economy, effectiveness, efficiency and compliance (often referred to as the '3Es + C').

In this audit we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
			

Key:

-  Primary focus
-  Secondary focus
-  Not assessed

Conducting this audit

Assessing performance To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry	Criteria
1. Council plans and budgets are evidence based and support financial sustainability.	1.1 Council budgeting is based on complete and accurate information including: <ul style="list-style-type: none">• current asset condition and renewal needs• service offering, levels and costs• credible forecasts and assumptions on future financial performance.
	1.2 Councils monitor and evaluate past financial results and use this to inform future budgets.
	1.3 Councils align their strategies, long-term financial plans and short-term budgets.
2. Council executives provide quality financial advice about financial plans and budgets to councillors that supports their decision-making.	2.1 Advice to councillors from council executives is: <ul style="list-style-type: none">• complete• timely• clearly presented• an accurate reflection of underlying information in financial plans and budgets.

Our methods As part of the audit we:

- reviewed councils' policies, procedures and guidance
- analysed financial data from the last 9 years to help assess performance and accuracy of financial budgets and forecasts over time
- reviewed other relevant documentation such as briefings to executive and councillors, financial reports, training and governance documents
- interviewed staff.

Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

Compliance We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 Performance Engagements to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

We also provided a copy of the report to the Department of Premier and Cabinet and the Department of Treasury and Finance.

Cost and time The full cost of the audit and preparation of this report was \$1,470,000.

The duration of the audit was 21 months from initiation to tabling.

Appendix D:

Underlying factors affecting results

Many factors affect a councils' financial performance. Audited councils reported the following factors that affected their results from 2015–16 to 2023–24.

Figure D1: Factors that affected performance and financial results

Indicator	Factor	Effect	Council impacted
Net result and adjusted underlying result	Receipt of advance payments of financial assistance grants	increased results for audited councils from 2016–17 to 2022–23	All audited councils
	Receipt of reduced or no advance financial assistance grants payments	decreased results in 2015–16 and 2023–24	All audited councils
	Lower income and more expenses during COVID-19 period	decreased results from 2019–20 to 2021–22	All audited councils
	Fair value movement for landfill provision	increased results from 2019–20 to 2022–23	Greater Shepparton
	Water shares recognised as intangible assets	increased the result in 2021–22	Greater Shepparton
	October 2022 flood	decreased the result for 2022–23	Greater Shepparton
	Zero per cent rate rise	decreased the result in 2021–2022 and 2022–23	Greater Shepparton
	Asset write-offs	decreased results from 2019–20 to 2021–22	Greater Shepparton
	Underspend on asset maintenance	increased results in 2021–22	Maribyrnong
	Net loss on disposal of property	decreased results for 2022–23	Maribyrnong
	Lower income from Fines Victoria	decreased results for 2018–19	Maribyrnong and Yarra
	Asset write-offs	decreased results in 2018–19	Maribyrnong and Yarra
	Cost savings measures	increased the result in 2023–24	Yarra
Unrestricted cash	Receipt of advance payments of financial assistance grants	Increased percentage results from 2016–17 to 2022–23	All audited councils
	Receipt of reduced or no advance financial assistance grants payments	decreased percentage results in 2015–16 and 2023–24	All audited councils
	Lower income and more expenses during COVID-19 period	decreased results from 2019–20 to 2021–22	All audited councils
	Payments into term deposits with maturity greater than 90 days decreased	decreased percentage result from 2015–16 to 2019–20 and in 2021–22 and 2023–24	Greater Shepparton
	Zero percent rate rise	decreased percentages in 2021–2022 and 2022–23	Greater Shepparton

Indicator	Factor	Effect	Council impacted
	Early repayment of loans	increased percentages in 2015–16 and 2016–17	Maribyrnong
	Planned capital works funded by council	decreased percentages from 2021–22 to 2023–24	Maribyrnong
	Higher trade costs	decreased percentage in 2018–19	Northern Grampians
	Planned capital works funded by council	decreased percentages from 2020–21 to 2022–23	Northern Grampians
	Payments into term deposits with maturity greater than 90 days decreased	decreased percentage result from 2020–21 to 2022–23	Wyndham
	Payments into term deposits with maturity greater than 90 days decreased	decreased percentage result from 2021–22 to 2023–24	Yarra
	New borrowings for capital works	increased percentages in 2016–17	Yarra
	Higher income generated	increased percentages in 2017–18 and 2018–19	Yarra
	Repayment of borrowings	decreased percentages in 2020–21	Yarra
Asset renewal and upgrade	Completing asset renewal and upgrade projects early	increased percentages in 2016–17, 2018–19 and 2021–22,	Greater Shepparton
	Carry forward of asset renewal or upgrade projects	decreased percentages in 2022–23	Greater Shepparton
	Revised budgets for asset renewal projects, including for flood damage in October 2022	decreased percentages in 2017–18, 2020–21 and 2023–24	Greater Shepparton
	Completing asset renewal and upgrade projects early	increased percentages in 2018–19 and from 2021–22 to 2023–24	Maribyrnong
	Carry forward of asset renewal or upgrade projects	decreased percentages in 2016–17 and 2017–18	Maribyrnong
	Impact of October 2022 flood event	decreased the percentage in 2023–24	Maribyrnong
	Increased spending on new assets resulted in increased depreciation	decreased percentages in 2016–17 and 2017–18	Northern Grampians
	Carry forward of asset renewal or upgrade projects	decreased percentages in 2021–22	Wyndham
	Increased spending on new assets resulted in increased depreciation	decreased percentages in in 2016–17 and 2017–18.	Wyndham
	Lower asset renewal spending due to COVID-19 restrictions	decreased indicator results in 2020–21	Wyndham
	Infrastructure revaluations increased depreciation	which decreased percentages in 2018–19	Yarra
	Lower asset renewal spending due to COVID-19 restrictions	decreased indicator results in 2020–21	Yarra

Source: VAGO, based on council reports.

Auditor-General’s reports tabled in 2025–26

Report title	Tabled
<i>Delivering Savings Under the COVID Debt Repayment Plan</i> (2025–26: 1)	July 2025
<i>Planned Surgery in Victoria</i> (2025–26: 2)	August 2025
<i>Financial Management of Local Councils</i> (2025–26: 3)	August 2025

All reports are available for download in PDF and HTML format on our website at www.audit.vic.gov.au.

Our role and contact details

The Auditor-General's role

For information about the Auditor-General's role and VAGO's work, please see our online fact sheet [About VAGO](#).

Our assurance services

Our online fact sheet [Our assurance services](#) details the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.

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