



Financial Sustainability Challenges

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VAGO

Acknowledgement of Country

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.

Yaalingbu, Yirramboi—Nallei Jerring (Today, Tomorrow—Adjoin)
By Simone Thompson, Wurundjeri/Yorta-Yorta



What does it mean to be financially sustainable?

To be financially sustainable, councils' must:

- meet current & future expenditure requirements from revenue earned
- absorb foreseeable changes and materialising risks
- manage impact of changing revenue and expenditure requirements.

View from both short- and long-term perspective.

At risk, without effective management of expenditure or optimisation of revenue generation.

Key numbers from GPFR that speak to sustainability

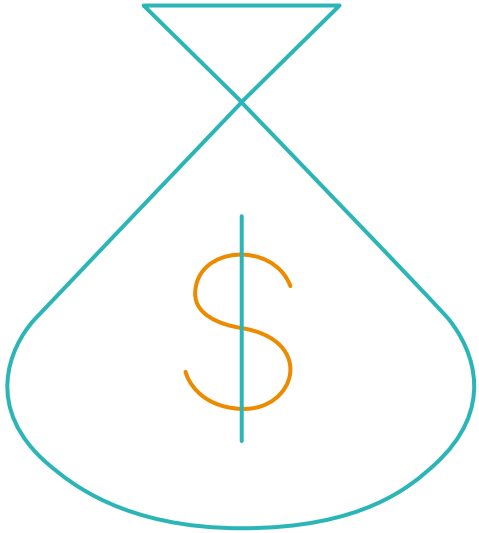
Cash

- Net operating cash flow
- Cash and free cash balances

Accrual

- Interest expense
- Net result
- Debt (IBL)

What we see: available financial resources



NOCF down and
PPE flows up
but still positive

High values of
cash and term
deposits

Liquidity ratio
remains high

Net results (smoothed) similar to prior year
results in terms of deficits

Small uplift but still relatively low levels of
debt and interest taking a very small bite
out of revenues

Where and what can we refocus, reset, restart

Challenging perceptions and decisions relating to financial resources, treasury management and debt?

- Do councillors, executives need better **guidance and education** in treasury management and debt management?
- Are those informing decision makers and decision maker themselves comfortable in **understanding what's possible in terms of financial resources** for council?
- Do these financial observation indicate **rainy day or jam jar accounting**?
- Are there ways we can **maximise returns on restricted cash**?
- Is there too much reliance on using current day cash inflows to renew or replace assets? Is this an issue of **intergenerational equity**?

Where and what can we refocus, reset, restart

Challenging perceptions and decisions relating to services?

Do councillors and executives have a clear understanding of:

- the current service catalogue including the service standards
- the cost of service delivery and the extent of subsidisation of some services
- the level and sufficiency of user fees and charges for services that benefit a specific group of users
- the total cost of ownership of proposed new asset investment decisions

Where and what can we refocus, reset, restart

Challenging perceptions and decisions relating to strategic financial management?

Do councillors and executives have a clear understanding of:

- the metrics derived from the GPFR that speak to financial sustainability and how to interpret these
- the past, current and likely future outcomes for these metrics on current policy settings
- what would be appropriate short, medium and long term targets
- what would need to change in terms of service mix and levels to achieve targets

Where and what can we refocus, reset, restart

Challenging perceptions and decisions relating to asset management?

Do councillors and executives have a clear understanding of:

- the metrics that speak to asset condition and performance and how to interpret these
- the future renewal and replacement profile and how this compares to internal financing sources of funds
- the total cost of ownership of proposed new asset investment decisions

Key ratios derived from GPFR

Local Government



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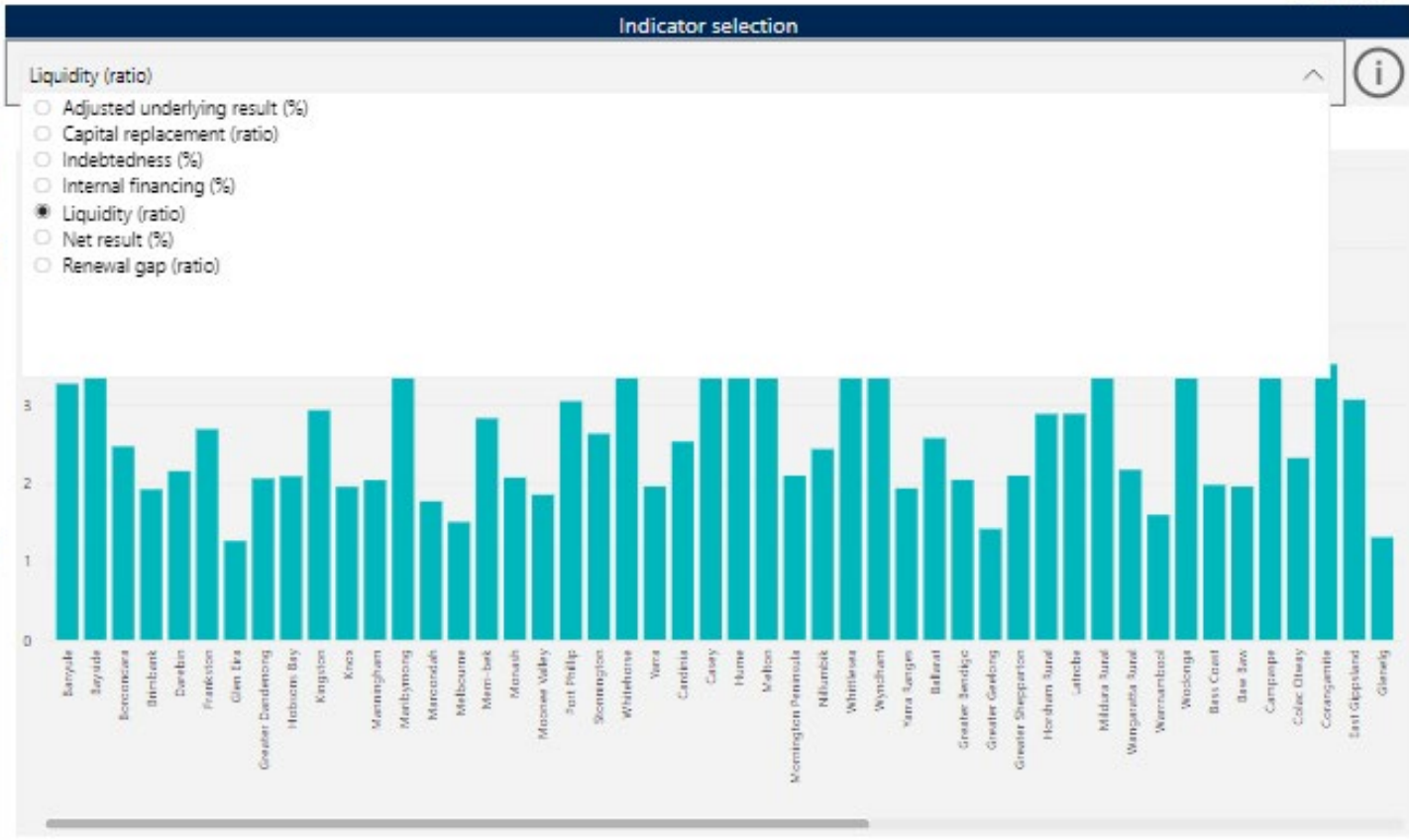
- Home
- Financial summary
- Financial composition
- Financial sustainability
- Benchmarking

Period selection

2016-17	2019-20
2017-18	2020-21
2018-19	2021-22

Council selection

- Metropolitan
- Interface
- Regional
- Large shire
- Small shire



Thank you

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