

# SHIRE OF CRANBROOK

## FINANCIAL MANAGEMENT REVIEW

AS REQUIRED BY:  
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT)  
REGULATION 5(2) (c)



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# SHIRE OF CRANBROOK

## FINANCIAL MANAGEMENT REVIEW

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## SHIRE OF CRANBROOK FINANCIAL MANAGEMENT REVIEW



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### 1.0 INDEPENDENT REVIEW REPORT

To: The Chief Executive Officer (CEO) of The Shire of Cranbrook

At the request of the CEO, Macleod Corporation Pty Ltd was engaged to conduct a limited assurance review of the appropriateness and effectiveness of the Shire of Cranbrook's financial management systems and procedures.

The objective of the review is to assist the CEO discharge his responsibilities in respect to Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended). The review was conducted for the period 1 January 2016 to 31 December 2018 and during the week commencing 21st January 2019, at Councils offices.

#### **CEO'S responsibility for Maintaining and reviewing financial management systems and procedures.**

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire's resources. In accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended), the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every three financial years the CEO is to report the results of those reviews to council.

#### **Our responsibility**

Our responsibility is to provide a report expressing limited assurance, designed to enhance the confidence of the CEO to assist his report on the appropriateness and effectiveness of the financial management systems as required by Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended). We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements issued by the Australian Auditing and Assurance Standards Board and the Audit Guidelines, in order to state whether, based on the procedures performed, anything has come to our attention that causes us to believe that the Shire's financial management systems have not been operating effectively. Our engagement provides limited assurance as defined in ASAE 3500.

#### **Limitations of use**

This report is prepared solely to the CEO of the Shire of Cranbrook for the purpose of him reporting under Local Government (Financial Management) Regulation 5(2)(c). We disclaim any assumption of responsibility for any reliance on this report to any person other than the CEO of the Shire of Cranbrook, or for any purpose other than that for which it was prepared.



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## **Inherent limitations**

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3500 and consequently does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an opinion providing reasonable assurance.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and its responsibility to prevent and detect irregularities, including fraud. Accordingly, users of our reports should not rely on the report to identify all potential instances of non-compliance which may occur.

Any projection of the evaluation of the level of compliance to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with management procedures may deteriorate.

## **Independence**

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

## **Conclusion**

Based on our work described in this report, nothing has come to our attention to indicate the Shire of Cranbrook has not established and maintained appropriate and effective financial management systems and procedures during the period 1 December 2015 to 30 November 2018.

For those aspects of the Shire of Cranbrook's Financial Management systems and procedures which were assessed as having opportunities for improvement, our Summary of Recommendations are noted at Part 2.0, pages 5-6 of this report and Summary Review Findings are noted at Part 5.0, pages 12 to 16 of this report.

Macleod Corporation Pty Ltd



Paul Gilbert FCPA MBA  
Registered Company Auditor  
Director

Dated this 4th day of February 2019



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# SHIRE OF CRANBROOK

## FINANCIAL MANAGEMENT REVIEW

### 2.0 SUMMARY OF RECOMMENDATIONS

The make the observation that the Shire of Cranbrook is generally in a strong financial position with low debt levels and a good level of reserves.

We are pleased to note that a culture of continuous improvement is promoted and that there is an emphasis on procedural and regulatory compliance. In particular we note a) staff participation in opportunities for professional local government training, b) broadening staff organisational awareness by job sharing and rotation both within and external to the Shire and c) promoting attention to detail with regulatory and compliance matters by having standing agenda items at staff meetings which formalises key matters including month end reconciliation reviews.

Following is a summary of our findings where we consider improvement may be made.

Area of Financial Management	Recommendation
Audit Committee	<p>We are satisfied that the audit committee meets regularly (2-3 times a year) the agenda for which addresses key compliance matters – meet the auditor, compliance return &amp; risk review.</p> <p>We recommend that the agenda for Audit Committee meetings be expanded to include key risk areas (eg budget, wages, rates, grants, depreciation, revaluations, job/program cost allocation etc)</p> <p>We consider that the Audit Committee understanding of Council operating activities may be enhanced by inviting senior staff (by rotation) to report on key areas identified by the audit committee in order to understand systems process requirements and risks.</p> <p>In the spirit of nurturing a culture of continuous improvement we consider that seeking managements own recommendations for improvement in key areas would be a useful source of information.</p>
Credit Card Procedures	<p>We were pleased to note that Council has a Credit Card Procedures Policy.</p> <p>In addition it is pleasing to see that cardholders provide written acknowledgement of their responsibilities (prospectively) under the policy upon receipt of their card.</p> <p>However, we recommend that the policy be improved by requiring that cardholders certify purchases made on their card (retrospectively) which are recorded on the monthly statement as at the end of the month. This should include a check and certification of the cost allocations. (similar to the bank reconciliation certification) This reinforces the critical importance that only authorised expenses are incurred and provides opportunity for review.</p>

**SHIRE OF CRANBROOK  
FINANCIAL MANAGEMENT REVIEW**

**2.0 SUMMARY OF RECOMMENDATIONS (Continued)**

Area of Financial Management    Recommendation

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Financial Ratios

Generally we consider that the Shire has healthy reported financial operating ratios – which are also published on the My Council website (albeit up to two years in arrears).

Only Operating Surplus Ratio and the Asset Sustainability Ratio do not meet with expectations and this is consistent with many other regional Councils.

Both ratio's are adversely impacted by the high level of depreciation expense, particularly as it relates to roads and bridges.

We recommend that the asset useful life prediction used to calculate depreciation rates be reviewed.

The operating financial ratios are analysed in detail following at section 6, page 17.

## SHIRE OF CRANBROOK FINANCIAL MANAGEMENT REVIEW

### 3.0 INTRODUCTION

Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 requires that the Chief Executive Officer is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews.

#### Internal Control Policy & Procedures

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 requires that the Chief Executive Officer establish efficient systems and procedures:

- (a) for the proper collection of all money owing to the local government;
- (b) for the safe custody and security of all money collected or held by the local government;
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
- (d) to ensure proper accounting for municipal or trust:
  - (i) income received or receivable;
  - (ii) expenses paid or payable; and
  - (iii) assets and liabilities;
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;
- (f) for the maintenance of payroll, stock control and costing records; and
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

Further, Regulation 5(2)(a) of the Local Government (Financial Management) Regulations 1996 requires that the CEO is to ensure that the resources of the local government are effectively and efficiently managed.

Internal control is the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the organisation in an efficient and orderly manner.

## SHIRE OF CRANBROOK FINANCIAL MANAGEMENT REVIEW

### 3.0 INTRODUCTION (Continued)

There are three components of an effective management control system:

- **Responsibility and Accountability:** An individual manager must be given responsibility for achieving certain control objectives and held accountable in some fashion for the operation of the control system.
- **Control Procedures:** Specific control procedures (manual or automated) must be designed and implemented. These can be classified as either user control procedures or program control procedures.
- **Monitoring:** The manager must monitor the operating effectiveness of the control procedures and deal promptly with the errors detected. Monitoring procedures include reporting, checking and exception (error) reports sourced from external sources, e.g. ratepayers.

#### Cost Management

Regulation 5(2)(a) of the Local Government (Financial Management) Regulations 1996 requires that the Chief Executive Officer is to ensure that the resources of the local government are effectively and efficiently managed.

Cost management extends to all operations of a council. Each responsible manager and executive should ensure costs are minimised whilst the quality and level of service are maximised.

Cost management involves three key principles:

- assigning responsibility for controlling costs,
- understanding the true nature and cause of cost, and
- taking decisive action to actively manage cost.

A council's preparedness to tolerate costly activities within a function must be determined by weighing up the cost against the contribution of those activities to the object and the resulting social benefit.

Assigning responsibility for cost control requires definite lines the authority and responsibility within council programs, sub-programs and activities. The council's organisation chart and budget documentation should enable the assignment of cost control to specific individuals.

It is important for accountability that these individuals also participate in the budgetary process in determining the planned or budgeted costs, which will be under their control.



## **SHIRE OF CRANBROOK FINANCIAL MANAGEMENT REVIEW**

### **3.0 INTRODUCTION (Continued)**

#### Asset Management

Regulation 5(1)(d)(iii) of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to ensure efficient systems and procedures be established to ensure proper accounting for municipal assets and liabilities.

Council controls a variety of assets on behalf of the community. Effective management of those assets requires that all assets be:

- classified and recorded in appropriate registers; and
- valued in accordance with the various accounting standards and requirements;
- reviewed regularly and a plan established to upgrade and replace as required.

Asset classification is necessary because of the range and nature of assets held by councils. These include:

- current assets such as cash and debtors; and
- non-current assets such as land, building and equipment.

Asset valuation is necessary because assets have substantially different “life cycles” ranging from a period of days or weeks easily converted to cash to 50-100 years for infrastructure such as drains.

#### Integrated Strategic Planning

Section 5.56 of the Local Government Act 1995 requires Council to plan for the future of the district in accordance with regulations.

Local Government (Administration) Regulation 19C requires that a local government prepare a strategic community plan for the district, encompassing at least 10 years, establishing community goals and identifying strategic performance indicators. The strategic community plan requires review at least once every 4 years.

Local Government (Administration) Regulation 19D requires that a local government prepare a corporate business plan, covering at least 4 Years, consistent with priorities of the strategic plan and establishes organizational capacity by adopting a) an asset management plan, b) a workforce plan, and c) a long term financial plan. The corporate business plan is required to be reviewed each year and adopted by an absolute majority of Council.

The processes of corporate planning and budgeting should be discrete. Budgeting and performance indicators should ultimately be driven by a council’s specified corporate goals and objectives, established as part of the corporate planning process.

There is an inherent link between corporate objectives, budgeting and performance indicators. Sound corporate management in a council requires each objective to be addressed within the context of all three tools and other less formal processes and management information systems.

## SHIRE OF CRANBROOK FINANCIAL MANAGEMENT REVIEW

### 3.0 INTRODUCTION (Continued)

#### Budgeting

Section 6.2 of the Local Government Act 1995 requires Council to prepare and adopt a budget not later than 31 August each year. Part 3 of the Local Government (Financial Management) Regulations 1996 sets out the general form and disclosures required in the budget.

The key objectives of budgeting in local government are:

- to provide a fiscal management tool for the carrying out of the Council's programs in the ensuing year;
- to provide the means by which the Council is accountable to the community for the rates to be levied; and
- to provide the basis for the setting of the rates.

The annual budget is a short-term reflection of the Council's corporate plan and operational intent, and represents, financially, the actions expected to be taken by the Council in achieving its objectives.

In addition to its planning aspects, the budget can and should be used by management as a benchmark against which actual performance can be measured. This can be achieved by reporting actual results against budget to provide management and the Council with information on progress against plan usage of resources and accountability for performance.

#### Limitations of Internal Control

Similar with all local government, we bring to your attention that there does exist generic and inherent accounting internal control risks. Despite having well documented and efficient systems there are inherent limitations to internal control procedures. Those limitations, include (but are by no means limited to):

- ▶ Separation of Duties (particularly within the bank reconciliation / general journal / invoicing / receipting / payment / payroll and authorised signatory (electronic password) functions).
- ▶ Accounting Software (integration, password and processing limitations).
- ▶ The possibility of collusion.
- ▶ External audit only sample tests transactions, and relies on results of systems testing for audit assurance.

Consequently there is an inherent reliance on the honesty and integrity of staff. This matter is brought to your attention to highlight the importance of your, the Audit Committee and Councils role in financial review and oversight.

# SHIRE OF CRANBROOK FINANCIAL MANAGEMENT REVIEW

## 4.0 SCOPE OF OUR REVIEW

As agreed our examination covered the period November 2015 to November 2018. To this end we examined the following financial systems and procedures of Council:

- Financial Reports
- Plan for the Future – Long Term Financial Plan
- Budget
- Minutes and Meetings
- Audit Committee
- Delegations
- Registers (Including Annual and Primary Return)
- Bank Reconciliations
- Trust Fund
- Fixed Assets (Including acquisition and disposal of property)
- Receipts and Receivables
- Rates
- Fees and Charges
- Purchases, Payments and Payables (Including Purchase Orders)
- Credit Card Procedures
- Wages and Salaries
- Costs Allocations
- Administration Allocations
- Insurance
- Storage of Documents/Record Keeping
- Other Matters and General Compliance issues

We did not specifically examine compliance with provisions of the Local Government Act or Regulations. We reviewed financial management systems and procedures, some of which are governed by the Act and Regulations.

**SHIRE OF CRANBROOK  
FINANCIAL MANAGEMENT REVIEW**

**5.0 SUMMARY OF REVIEW FINDINGS**

The following is a summary of the results of our review:

Area of Financial Management	Summary Review Findings
Financial Reports	Annual and monthly financial reports are prepared in a timely manner from the general ledger record.
Long Term Financial Plan	<p>Long Term Financial Plan has been adopted by Council and reviewed by the Department of Local Government.</p> <p>Council includes its Asset Management Plan and Long Term Financial Plan in its Strategic Resource Plan.</p> <p>The forecast current ratio is less than 1, which does not meet the prescribed standard. Council does not consider this a threat and we concur on the basis of strong reserves (restricted current assets)</p>
Budget	The annual budget has been prepared and adopted in accordance with the Act.
Minutes and Meetings	The minutes and records of meetings are being maintained in accordance with requirements.
Audit Committee	<p>We are satisfied that the audit committee meets regularly (2-3 times a year) the agenda for which addresses key compliance matters – meet the auditor, compliance return &amp; risk review.</p> <p>We recommend that the agenda for Audit Committee meetings be expanded to include key risk areas (eg budget, wages, rates, grants, depreciation, revaluations, job/program cost allocation etc) We consider that the Audit Committee understanding of Council operating activities may be enhanced by inviting senior staff (by rotation) to report on key areas identified by the audit committee in order to understand systems process requirements and risks.</p> <p>In the spirit of nurturing a culture of continuous improvement we consider that seeking managements own recommendations for improvement in key areas would be a useful source of information.</p>
Delegations	A record and register of Delegations made is being maintained in accordance with requirements
Registers	The records for the Registers of Gifts, Tenders, Financial Interests and Delegations, required to be kept are being maintained.

**SHIRE OF CRANBROOK  
FINANCIAL MANAGEMENT REVIEW**

**5.0 SUMMARY OF REVIEW FINDINGS (Continued)**

Area of Financial Management	Summary Review Findings
Bank Reconciliations	<p>Our review indicates that municipal and reserve bank reconciliations are being prepared on a monthly basis and reviewed by a responsible officer.</p> <p>It was particularly pleasing to see evidence of the review with a declaration signed and dated by two responsible officers</p>
Trust Fund	<p>Our review indicates that trust bank reconciliations are being prepared on a monthly basis and reviewed by a responsible officer.</p>
Fixed Assets	<p>Fixed assets have been recorded in an asset register, which reconciles to the general ledger.</p> <p>Infrastructure, Land &amp; Buildings and Plant &amp; Equipment are valued at fair value. Each asset class is revalued every three years by rotation so one asset class is revalued each year.</p>
Receipts and Receivables	<p>The system to raise invoices for income due, collection of money due, deposit of money collected and debtors processing is considered appropriate.</p> <p>These systems were documented and tested by Lincolns as part of their external audit.</p>
Rates	<p>Rates have been raised in accordance with budget and resolution of Council.</p> <p>We were pleased to note that Council has an adopted Policy which outlines rates debt collection steps and procedures.</p>
Fees and Charges	<p>The fees and charges applied by Council have been adequately disclosed in the budget, and the procedures to raise invoices are appropriate.</p>

**SHIRE OF CRANBROOK  
FINANCIAL MANAGEMENT REVIEW**

**5.0 SUMMARY OF REVIEW FINDINGS (Continued)**

Area of Financial Management	Summary Review Findings
Purchases, Payments and Payables	<p>The system to incur expenses by raising purchase orders, authorisation, and creditors processing is considered appropriate.</p> <p>These systems were documented and tested by Lincolns as part of their external audit and is considered appropriate.</p>
Credit Card Procedures	<p>We were pleased to note that Council has a Credit Card Procedures Policy.</p> <p>In addition it is pleasing to see that cardholders provide written acknowledgement of their responsibilities (prospectively) under the policy upon receipt of their card.</p> <p>However, we recommend that the policy be improved by requiring that cardholders certify purchases made on their card (retrospectively) which are recorded on the monthly statement as at the end of the month. This should include a check and certification of the cost allocations. (similar to the bank reconciliation certification) This reinforces the critical importance that only authorised expenses are incurred and provides opportunity for review.</p>
Wages and Salaries:	<p>The system to record salaries and wages expenditure in the general ledger is appropriate.</p> <p>We note that general ledger account 146001 has fully allocated salaries and wages cost.</p> <p>These systems were documented and tested by Lincolns as part of their external audit and considered appropriate.</p>
Costs Allocations:	<p>We reviewed costs allocations public works overheads general ledger account 142006 and plant operating costs general ledger account 143010.</p> <p>These systems were documented and tested by Lincolns as part of their external audit and is considered appropriate.</p>
Administration Allocations:	<p>We reviewed Administration costs allocated to programs general ledger account 042050.</p> <p>These systems were documented and tested by Lincolns as part of their external audit and is considered appropriate.</p>

**SHIRE OF CRANBROOK  
FINANCIAL MANAGEMENT REVIEW**

**5.0 SUMMARY OF REVIEW FINDINGS (Continued)**

Area of Financial Management	Summary Review Findings
Insurance:	Insurance cover has been reviewed and insurance policies held in accordance with the annual renewal schedule.
Storage of Documents/Record Keeping:	Our review did not reveal any circumstances of document storage or record keeping which was not in accordance with requirements.  The system of record storage is considered appropriate.
<u>Other Matters and General Compliance issues:</u>	
Business Activity Statements (BAS):	BAS are prepared and lodged on a monthly basis and balances reconciled to the general ledger clearing accounts.
Fringe Benefits Tax Return	Council prepares and lodges the return annually as required, with vehicles comprising the main form of benefit.
Investment Policy:	Council has adopted an appropriate Investment Policy.
Code of Conduct about Gifts:	Council has the appropriate Code in place, with public disclosure on the Shires website..
Code of Conduct about Impartiality and Disclosure of Interests:	Council has the appropriate Code in place.
General Journal Entries	We noted that general journal entries are prepared and filed electronically and that a hard copy journal of general ledger entries be maintained and that these journal sheets include the signature of originating responsible person, and another as evidence of review.  As the general journal entry is the primary means by which management may override the accounting internal control system, it is important to ensure that there is oversight in this key area.
Compliance Annual Return	Council as recommended by the Audit Committee adopted the 2017 annual return and it was lodged as required.

**SHIRE OF CRANBROOK  
FINANCIAL MANAGEMENT REVIEW**

**5.0 SUMMARY OF REVIEW FINDINGS (Continued)**

Area of Financial Management    Summary Review Findings

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Financial Ratios

Generally we consider that the Shire has healthy reported financial operating ratios – which are also published on the My Council website (albeit up to two years in arrears).

Only Operating Surplus Ratio and the Asset Sustainability Ratio do not meet with expectations and this is consistent with many other regional Councils.

Both ratio's are adversely impacted by the high level of depreciation expense, particularly as it relates to roads and bridges.

We recommend that the asset useful life prediction used to calculate depreciation rates be reviewed.

The operating financial ratios are analysed in detail following at section 6, page 17.



## 6.0 SHIRE OF CRANBROOK FINANCIAL MANAGEMENT REVIEW FINANCIAL RATIO ANALYSIS

Ratio	Calculation Method	Description	Result 2018	Result 2017	Prescribed Standard	Assessment & Influencing Factors
Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$	Indicates the Shire's solvency being the ability to meet short term debt obligations.	3.01	2.62	The standard is met if the ratio is greater than 1.	Council's result exceeds expectations, influenced by strong cash and low debt levels.
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$	Indicates the rate the Shire is replacing or renewing existing non-financial assets compared to the annual overall assets expired useful life.	0.65	0.41	The standard is met if the ratio is 0.9 or higher.	Council's result does not meet expectations, with asset renewal less than depreciation expense - affected by high roads & bridges depreciation.
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$	Indicates the Shire's ability to repay its debt including lease payments.	10.65	17.93	A basic standard is met if the ratio is greater than or equal to 2. An advanced standard is met if the ratio is greater than 5.	Council's result exceeds expectations, influenced by low overall debt levels. Ratio lower this year with lower op. surplus.
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$	Indicates the Shire's ability to cover its operational costs and have revenues available for capital funding or other non operating purposes.	(0.41)	(0.14)	A basic standard is met between 0.01 and 0.15. An advanced standard is met if the ratio is greater than 0.15.	Council's result does not meet expectations, influenced by deficit result from operating activities, affected by depreciation expense.
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$	Indicates the Shire's ability to cover its costs through its own revenue efforts.	0.48	0.48	A basic standard is met if the ratio is between 0.4 and 0.6. Intermediate standard is between 0.6 and 0.9. An advanced standard is met if the ratio is greater than 0.9.	Council's result meets expectations, influenced by the source of operating income. Noting that operating expenses would be curtailed should operating income decline.
Asset Consumption Ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$	Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost	0.65	0.68	The standard is met if the ratio is 0.5 or greater. The standard is improving if the ratio is between 0.6 and 0.75.	Council's result meets expectations, influenced by strong asset renewal program.
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$	Measures the ability of the Shire to fund its projected asset renewal (in the long term financial plan-LTFP) to the required replacements in the future (in the asset management plan-AMP).	1.48	1.68	The standard is met if the ratio is between 0.75 and 0.95. The standard is improving if the ratio is between 0.95 and 1.05.	Council's result exceeds expectations, the ratio is influenced by asset replacements recorded in the asset management plan and long term financial plan.

### Overall Assessment

1. Councils financial ratio performance generally exceeds the Local Government Departments expectations.
2. The asset sustainability ratio does not meet expectations. This affected by non cash depreciation expense particularly as Council has a relatively high roads & bridges depreciation expense. We recommend a review of the useful life assessment used in calculating the depreciation rate.
3. The own source revenue coverage ratio does not meet with expectations, and is in trending decline – affected by non cash depreciation expense causing an operating deficit (despite an operating cashflow surplus. This is consistent for all regional Councils, illustrating an economic dependency on grants. We recommend that depreciation rates be reviewed.