

WINGECARRIBEE SHIRE COUNCIL - FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

AS AT 30 JUNE 2007

REVENUE SOURCES

Indicator # 1 - Revenue Sources

Indicator Title:

1.1 Sources of Total Revenue Before Capital

Indicator Definition:

Ordinary Revenue classified by source

Indicator / Local Government Benchmark:

For Information Only

	Year Ended June 2007		Year Ended June 2006		Year Ended June 2005		Year Ended June 2004		Year Ended June 2003	
	\$'000s	%	\$'000s	%	\$'000s	%	\$'000s	%	\$'000s	%
<b>Rates &amp; Charges</b>										
- General Purpose	18,314	30%	16,736	31%	16,057	30%	14,734	29%	12,939	28%
- Specific Purpose (DWM)	3,982	7%	3,787	7%	3,576	7%	3,308	7%	3,051	7%
- Specific Purpose (Drainage)	467	1%								
- Specific Purpose Water & Sewer	8,692	14%	8,786	16%	8,341	16%	8,967	18%	6,806	15%
<b>User Charges &amp; Fees</b>	14,904	25%	12,045	22%	12,267	23%	12,225	24%	11,984	26%
<b>Interest</b>	3,944	7%	3,037	6%	3,084	6%	2,738	5%	2,499	5%
<b>Grants</b>	6,789	11%	6,580	12%	7,547	14%	6,524	13%	7,301	16%
<b>Contributions</b>	1,827	3%	1,763	3%	1,762	3%	812	2%	1,131	2%
<b>Profit on Sale of Assets</b>	-	0%	349	1%	-	0%	454	1%	80	0%
<b>Other</b>	1,577	3%	1,171	2%	1,011	2%	990	2%	693	1%
<b>Total Ordinary Revenue Before Capital</b>	<b>\$ 60,496</b>	<b>100%</b>	<b>\$ 54,254</b>	<b>100%</b>	<b>\$ 53,645</b>	<b>100%</b>	<b>\$ 50,752</b>	<b>100%</b>	<b>\$ 46,484</b>	<b>100%</b>
<i>Increase from previous year</i>	12%		1%		6%		9%		8%	

Commentary:

Used as a measure of the degree of dependency of Council on a particular revenue source.

Council's reliance on Rates and associated charges as a source of income is at an acceptable level while below the 55% rate. The trend still remains reasonably constant and while acceptable, Council should seek additional revenue raising opportunities from within the broader commercial sphere.

**CASH / LIQUIDITY POSITION**

**Indicator # 2 - Cash / Liquidity Position - after accounting for external restrictions**  
**Indicator Title:** 2.1 Unrestricted Current Ratio  
**Indicator Definition:** *Current Assets less Externally Restricted Current Assets / Current Liabilities less Specific Purpose Current Liabilities*  
**Indicator / Local Government Benchmark:** Greater than 2:1  
 Between 1:1 and 2:1  
 Less than 1:1  
 Successive years > 10:1

	Year Ended June 2005	Year Ended June 2006	Year Ended June 2007	Projected Year Ended June 2008	Projected Year Ended June 2009
	2.91:1	2.32:1	2.53:1	2.41:1	2.5:1

**Commentary:**  
 Used to measure the liquidity of a Council and as to whether it can pay its debts as they fall due. Should be greater than 1:1

**Indicator # 2 - Cash / Liquidity Position - after accounting for external restrictions**  
**Indicator Title:** 2.2 Available Cash Position  
 [a] Available Cash Assets  
 [b] Unrestricted Available Cash Assets  
**Indicator Definition:** [a] *Cash Assets less Externally Restricted Assets*  
 [b] *Available Cash Assets less Internally Restricted Assets*  
**Indicator / Local Government Benchmark:** *For Information Only*

	Year Ended June 2005 \$'000s	Year Ended June 2006 \$'000s	Year Ended June 2007 \$'000s	Projected Year Ended June 2008 \$'000s	Projected Year Ended June 2009 \$'000s
[a]	\$ 17,285	\$ 16,530	\$ 22,097	\$ 22,500	\$ 22,500
[b]	\$ 3,909	\$ 2,789	\$ 3,404	\$ 3,700	\$ 3,800

**Commentary:**  
 Used to assess available funds and capacity of the organisation to respond to opportunities or to react to unforeseen commitments as they arise.

**Indicator # 2 - Cash / Liquidity Position - after accounting for external restrictions**

**Indicator Title:**

**2.3 Availability of Cash Assets as a Total % of Revenue**

[a] Available Cash Assets

[b] Unrestricted Available Cash Assets

**Indicator Definition:**

[a] Available Cash Assets / Total Ordinary Revenue before Capital

[b] Unrestricted Available Cash Assets / Total Ordinary Revenue before Capital

**Indicator / Local Government Benchmark:**

For Information Only

	Year Ended June 2005 \$'000s	Year Ended June 2006 \$'000s	Projected Year Ended June 2007 \$'000s	Projected Year Ended June 2008 \$'000s	Projected Year Ended June 2009 \$'000s
[a]	32%	27%	41%	38%	37%
[b]	7%	5%	6%	6%	6%

**Commentary:**

Closely related to ratios 2.1 and 2.2 above. Used to indicate the % of Councils cash assets which are either internally or externally unrestricted and that liquidity and cash are carefully managed.

**OPERATING RESULT**

<b>Indicator # 3 - Operating Result - using trend analysis</b>																							
<b>Indicator Title:</b>	<b>3.1 Result from Ordinary Operations before Capital Grants &amp; Contributions</b>																						
<b>Indicator Definition:</b>	<i>Result from Ordinary Operations before Capital Grants &amp; Contributions I.e. Operating Result or 'Profit' after depreciation</i>																						
<b>Indicator / Local Government Benchmark:</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;"><i>Sustained planned surplus</i></td> <td colspan="5" style="text-align: center;">█</td> </tr> <tr> <td><i>Unsustained surplus</i></td> <td colspan="5" style="text-align: center;">█</td> </tr> <tr> <td><i>Deficit</i></td> <td colspan="5" style="text-align: center;">█</td> </tr> </table>					<i>Sustained planned surplus</i>	█					<i>Unsustained surplus</i>	█					<i>Deficit</i>	█				
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<i>Unsustained surplus</i>	█																						
<i>Deficit</i>	█																						
	<b>Budget Year Ended June 2008 \$'000s</b>	<b>Year Ended June 2007 \$'000s</b>	<b>Year Ended June 2006 \$'000s</b>	<b>Year Ended June 2005 \$'000s</b>	<b>Year Ended June 2004 \$'000s</b>																		
<b>Commentary:</b>	█ -	█ 2,746	█ - 939	█ - 146	█ 1,080																		
<p>Used to indicate the result of ordinary operations and whether Council is reliant on Capital Grants or Contributions. A series of negative results can also indicate that a Council is trying to do too much and should review the level of surpluses being provided. This figure can be adversely affected by the impact of depreciation on the operating result. While not cash funded, it should provide an accurate picture of the deterioration of Council's infrastructure and the need of effective asset management systems.</p>																							

**ASSET RENEWAL EXPENDITURE**

**Indicator # 4 - Asset Renewal Expenditure**

**Indicator Title:**

Renewal

**Indicator Definition:**

*Capital Renewal Capacity - amount of funds spent on renewing assets (as opposed to maintaining them)  
Capital Expenditure on Existing Assets / Annual Depreciation*

**Indicator / Local Government Benchmark:**

1 to 1  
Less than 1:1



Year Ended June 2007 \$'000s	Year Ended June 2006 \$'000s	Year Ended June 2005 \$'000s	Year Ended June 2004 \$'000s	Year Ended June 2003 \$'000s
0.2	0	0	0	0

**Commentary:**

This indicator will become more relevant and appropriate once Council's new asset management system is used to accurately capture this data. However this indicator is used to indicate the extent to which a Council is maintaining the condition of its assets, either through repairs and maintenance or the adequacy of its provision to replace those assets as they become due. WSC asset renewal policies need to be carefully monitored. As with many Councils in NSW, usage of assets is running ahead of maintenance and this will eventually translate to longer term problems for asset replacement. Whilst this indicator is not prescriptive owing to definitional issues, the point that it raises is the urgent need to ensure that maintenance is well targeted. Additionally, Council needs to carefully consider the maintenance of existing assets as against the need or desire to bring new assets onto the books in the context of whole of life costing approaches to funding criteria.

**DEBT SERVICE RATIO**

**Indicator # 5 - Debt Service Ratio**

**Indicator Title:**

Debt Service Ratio

**Indicator Definition:**

*Net Debt Service Cost / Total Revenue from Ordinary Activities*

**Indicator / Local Government Benchmark:**

<10%  
10%-15%  
>15%



Year Ended June 2005 %	Year Ended June 2006 %	Year Ended June 2007 %	Projected Year Ended June 2008 %	Projected Year Ended June 2009 %
9%	7%	4%	4%	5%

**Commentary:**

Used to reflect Council's ability to service its debt and should be measured as a trend over current year plus next two years. Will also be dissected by fund to indicate the capital intensive nature of Water and Sewerage Funds. For 2007 the General Fund percentage was 0.82%, Water Fund 2.39% and Sewer Fund 19.92%.



**COLLECTION PERFORMANCE**

**Indicator # 6 - Collection Performance**

**Indicator Title:**

**Indicator Definition:**

**5.1 Outstanding Rates, Charges & Fees**  
**5.1 Rates, Annual, Interest and Extra charges outstanding**  
*5.1 Total Outstanding Rates, Charges and Fees / Rates Charges and Fees Annual Income plus Arrears B/Fwd*  
**5.2 Rates, Annual, Interest and Extra Charges Outstanding / Rates Annual, Interest and Extra Charges Collectable**

**Indicator / Local Government Benchmark:**

<4%  
 4% to 5%  
 >5%



		Year Ended June 2005 %	Year Ended June 2006 %	Budget Year Ended June 2007 %	Budget Year Ended June 2008 %	Budget Year Ended June 2009 %
<i>Rates, Charges &amp; Fees</i>	5.1	7%	7%	6%	6%	5%
<i>Rates</i>	5.2	3%	3%	3%	3%	3%

**Commentary:**

Used to measure Councils effectiveness in recovering debts legally owed to it. While Councils outstanding Rates, Charges & Fees are continuing to decline the current focus on their recovery is still required. These figures can be distorted by the fact that of the outstanding amounts, 1.15% are on arrangements to pay and that 74.62% of the Fees and Charges outstanding relate to Water/Sewer accounts only towards the end of the financial year.

**RE - VOTES OF EXPENDITURE**


**Indicator # 7 - Re - Votes of Expenditure**

**Indicator Title:**

**Indicator Definition:**

**Indicator / Local Government Benchmark:**

**Re-Votes of Expenditure**  
*Revotes / Ordinary and Capital Expenditure*  
 <2%  
 2% to 5%  
 >5%



	Year Ended June 2007 %	Year Ended June 2006 %	Year Ended June 2005 %	Year Ended June 2004 %	Year Ended June 2003 %
	7%	4%	4%	3%	4%

**Commentary:**

Used to indicate appropriate planning and utilisation of resources. While figures are continuing to remain in the amber, management needs to continually review annual revotes to maintain the downward trend. The increase in 2007 has been affected by implementation of Special Rates and in 2006 and 2007 and a lack of available resources to undertake capital works. A major impact on these figures was an increase of 189% in the amounts revoted for water and sewer funds.

**ACCURACY / TIMELINESS OF FINANCIAL DATA / BUDGET / COMPLIANCE**

**Indicator # 8 - Management Practices**

**Indicator Title:**

*Indicator Definition:*

*Indicator / Local Government Benchmark:*

**Accuracy / Timeliness of Financial Data / Budget / Compliance**

*As Indicated Below*

*8 to 10 Achieved*

*5 to 7 Achieved*

*4 or Less Achieved*



	Year Ended June 2007	Year Ended June 2006	Year Ended June 2005	Year Ended June 2004	Year Ended June 2003
1. Financial Bottom Line (before capital matched to forecasts to a level of + or - 10%	N	N	N	N	N
2. Receipt of an unqualified Audit Report	Y	Y	Y	Y	Y
3. Statements lodged to meet compliance deadline	Y	Y	Y	Y	Y
4. Do you report monthly to management within 5 days of month end	N	N	N	N	N
5. Do you report quarterly statutory within 21 days of quarter end	N	N	N	N	N
6. Do you report annual statutory within 21 days of year end	N	N	N	N	N
7. Do budgets incorporate a 3 year plan where the 2nd year becomes the base for the following year	Y	N	N	N	N
8. Rigour of budget review and then ongoing monthly / quarterly budget to actual results analysis	Y	Y	Y	Y	Y
9. Does RAO formally report to Council on the sign off of Financial Statements - Section 413	Y	Y	Y	Y	Y
10. Has the Council established an Audit/Finance committee comprising community representatives.	Y	Y	Y	Y	N
	<b>6</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>4</b>

**Commentary**

These indicators are used to indicate good business management practices.

## CONCLUSION AND SUMMARY COMMENTS

The implementation of new forecasting and the budgetary processes have been a major improvement in the financial controls of this Council. The changed budgetary processes that have been put in place have adequately addressed these issues.

Council's strategic decision to shore up its finances through commercial and entrepreneurial opportunities will prove to be a sound one and it is anticipated that the fruits of this activity will be available over the course of the next 2 to 3 years.

The Operating result must be reviewed carefully over the next few years to ensure a deficit is not recorded particularly on a continuing basis as this is not sustainable in the long term.

Infrastructure Asset Management within Council is improving and commendable. However, there needs to be a strong emphasis placed on the implementation of this new corporate asset management system.

Revotes need to be carefully monitored on an ongoing basis to ensure that the exercise of automatic revoting on the basis that a project or activity has already been approved in an earlier period, should not be the sole reason for its ongoing approval. Priorities do change and this should be reflected in the approval process.

Management's ongoing focus on improving its financial management capability is vitally important as one of the factors associated with the success of Council as an entity. In this regard, the aim of Council in relation to the processes identified should be given a strong commitment.

Overall, based on the analysis of the Health Checks as applied to Council's finances and management practices, Wingecarribee Shire Council would be regarded as good in terms of its overall financial health. Having said that, it would be dangerous for Council to ignore some of the early warning signs and become complacent about its perceived position.