



Media Release

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Auditor-General's report shows continuous improvement in Local Government

Local Government Association of Tasmania President Mayor Doug Chipman has welcomed the Auditor-General's Report on Local Government. "Just like last year, this report shows that councils are continuing to improve their long term financial position" he said.

"In fact, there has been continuous improvement to the underlying result for the last 4 years" said Mayor Chipman.

Although six councils have posted an underlying deficit, this is compared to 12 last year, and the average deficit has decreased. "Again, this shows councils are collectively on the right path", said Mayor Chipman.

The Auditor-General's report shows there has been no real change in the cash position, and that councils continue to have large cash reserves. The fact is, that councils are expected to carry these reserves to fully depreciate assets worth billions of dollars. This extraordinary expectation is imposed on councils to demonstrate their financial sustainability. Councils are managing cash reserves to factor in fully funded asset depreciation as well as grants or funds for major projects which are to be delivered over more than one financial year.

This cash position figure often causes confusion and LGAT is seeking to work with the Auditor-General's office to determine whether it might be possible in future to separately reflect the funding of depreciation from general cash reserves.

The Auditor-General also notes that the average rate increase exceeded the Council Cost Index (CCI) produced by LGAT. However, the CCI is merely a tool to assist councils to appropriately reflect the costs of councils doing business and providing services to the community when it is business as usual.

Last year saw councils having to respond to significant damage from natural disasters and to support, through infrastructure provision, an unprecedented increase in development activities. While some councils had rates below the CCI, because of the factors above, other councils needed to levy increased rates.

"While the Council Cost Index is a useful tool in considering the shift in costs of organisations, it is important to understand the nature of the business and what the true cost movements have been over a period," Mayor Chipman said.

“The Auditor-General also noted that councils in Tasmania are in a good financial position compared to similar sized Victorian Councils and that they continue to make good progress in their long term financial and asset management planning and related outcomes”.

For further comment please contact:

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