

Sustainable Financial Management Policy

Corporate and Community Services



November 2022

This policy was adopted by Council to set governing principles in place that align with the Strategic Community Plan 2040: Focus Area Performance: Outcome PF.1: Responsible planning and ownership of outcomes and Outcome PF.4: A culture of innovation, quality and continuous improvement.

Objectives

The Shire will ensure it plans for the current and future needs of its community in a socially, culturally, environmentally and financially sustainable manner. It will continually work towards improvements in such planning through:

- The employment of sound financial management practices
- A program of service reviews to ensure services are adopted and maintained at appropriate and sustainable levels which best meet the needs of its customers and places
- Responsible and robust budgeting and long term financial planning processes
- Responsible stewardship of the Shire's assets, ensuring resources are well protected and used efficiently to meet the Shire's objectives
- Sustainable levels of fees and charges for services to meet current and future funding requirements, which recover actual and reasonable costs unless there are valid community-focussed reasons not to do so
- Sustainable and prudent setting of differential rates that reflects community's needs and aspirations

Application

This policy applies to the development of the Shire's annual budgets, long term financial plan and setting of differential rates and fees and charges, as well as the review of service provision by the Shire.

Policy

1. Sound financial management

The Shire must ensure that it fulfils all regulatory, legal and budgetary reporting requirements as well as meeting accounting standards and guidelines. The Shire will have a financial system consisting of:

- Accurate and dependable accounting
- Effective internal control procedures
- Transparent reporting
- Responsible budgeting and long term financial planning

In order to be financially accountable, the Shire must adopt and follow good financial and risk management policies. The Shire must use these reports and other sources to make good

management decisions and plan for the future of the Shire, including long term planning processes which consider a balanced approach to revenue and future expenditure.

2. Effective Service Delivery

With regards to existing services offered by the Shire, service levels will be regularly assessed and reviewed to ensure they are appropriate, and delivered effectively and efficiently, according to community need.

The Shire will ensure that its decisions on service delivery and the provision and maintenance of infrastructure are also made with due regard to available existing and anticipated future financial resources and competing priorities.

In consideration of proposed new services or initiatives, the Shire will not undertake services or initiatives which duplicate, to the extent considered inappropriate, those provided by other tiers of government, the private or non-profit sector.

Project proposals not endorsed as part of the Long Term Financial Plan or Annual Budget process must be supported by a business case, including a cost-benefit analysis, risk analysis and whole of life costing to clearly demonstrate the fulfilment of the Shire's objectives, having due regard to the Shire's Strategic Community Plan objectives and informing strategies.

The Shire will adopt appropriate industry standards for all services and functions undertaken, benchmark services to the community against other local governments and the private sector to ensure that they are competitive and use resource sharing where efficiencies and/or service delivery improvements can be made.

3. Annual budgeting strategy

In order to achieve long term financial sustainability, the Shire will use all reasonable endeavours to deliver a balanced budget for each financial year. The Shire will use zero based budgeting to annually reconfirm the mix of services to be provided.

4. Long term planning

The Shire will undertake long term planning and funding of infrastructure, services and land use, including conservation works, in close consultation with the community so as to prioritise Council spending, manage public expectations and achieve financial viability in alignment with the community aspirations, outcomes, strategies and actions set out in the Strategic Community Plan, Corporate Business Plan, and informing strategies and plans.

5. Funding prioritisation

The Shire recognises the competing demands for limited financial resources and will endeavour to allocate resources in compliance with the objectives of this policy.

Prioritisation of funding allocation will be based on the following:

- (i) Activities requires to comply with statutory obligations and standards;
- (ii) Risk mitigation activities or projects that are required to reduce extreme or high level risks, including Work Health and Safety risks, (as determined through the Shire's risk management policy and framework) to an acceptable level, as far as practical;
- (iii) Renewal, upgrade and maintenance of existing building and infrastructure assets as support by the Shire's Asset Management Plan and related project prioritisation processes;

- (iv) Current operational funding for programs, unless the operational need for any of these programs has been superseded;
- (v) New programs or assets as supported by the Shire's Asset Management Plan and related project prioritisation processes;
- (vi) Council decisions for programs and projects based on the current service levels required by the community, or advised by Shire staff; and
- (vii) Alignment with the values and principles of the Overarching Sustainability Strategy.

6. Funding strategy

6.1 Fees and charges

The Shire acknowledges the requirement of the National Competition Policy and ensures compliance by regularly reviewing its fees, charges and services with a view to identify whether these should be adjusted to ensure they do not create or have the potential to create unfair competition with the private sector.

Fees and charges will be reviewed annually as part of the budget process, and will be established based on statutory laws or regulations where applicable, in addition to Council resolution and policy.

Circumstances in which a fee or charge shall be reviewed include:

- Legislation requiring Council to prescribe a new fee or charge
- A change of legislative compliance, requiring a change in resources or expertise
- A change to the level of service provided
- Increased public demand for goods or services, placing pressure on the current budget or assets
- Establishment of a new service
- Changes to the level of inflation
- To lower the ratepayer contribution towards goods or services that principally benefit distinct groups or individuals.

6.2 Rates

The Shire applies differential rates determined primarily by reference to the zoning of the property under the Shire's Local Planning Scheme.

When setting Council rates the guiding principles shall be as follows:

- **Objectivity** where an objective assessment of relevant criteria is used to determine the predominant use of the property, external parties will be in a position to understand how and why a particular determination was made.
- **Equity and Fairness** this will be inherent within rating principles, where each property will make a fair contribution to rates based upon an appropriate method of valuation that reflects predominant use.
- **Consistency** will be applied within the whole of the Shire, with like being treated in a like manner, according to usage classifications.
- **Transparency** in that the method to determine land valuation, systems and procedures are clearly documented and available for public inspection.
- **Administrative Efficiency** by implementing sustainable rating principles and procedures whilst maintaining cost effective use of Council resources to levy and collect rates and maintain accurate and timely records.

6.3 Borrowings

Borrowings will be considered as a valid funding source for projects that contribute towards or achieve strategic goals identified in the Shire's Strategic Community Plan and have an identified source of revenue or utility.

To this end, the Shire will develop an acceptable and sustainable borrowing and debt management program to fund infrastructure needs on an intergenerational basis.

6.4 Reserves

Cash-backed reserve accounts will be established and managed for the renewal and replacement of ageing assets, and to mitigate financial risk associated with unforeseen project requirements.

The Shire will ensure that the purpose of any reserves established is clear, and that the use of the funds is transparently managed.

6.5 Sale of assets

Proceeds from the sale of assets other than land will be applied to the funding of renewal of infrastructure that has depreciated, or the creation of new infrastructure required to meet future needs, rather than using such moneys for covering operating deficits.

6.6 Grants and Contributions

The Shire will adopt a whole of government approach to infrastructure maintenance, renewal and expansion and seek financial contributions from the State and Federal Governments.

The Shire will maximise external funding opportunities for capital projects such as Roads to Recovery and Black Spot funding.

The Shire will increase the funding for infrastructure renewal and expansion by minimising growth in the operational budget and working to increase the ratio of rate income and untied grants allocated for capital and non-recurrent items as opposed to recurrent spending.

Developer contributions will be collected in line with the Shire's Local Planning Scheme to ensure that developers make an appropriate contribution towards the infrastructure necessary to support the future population arising from their developments.

Relevant legislation

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Australian Accounting Standards Board (AASB) Standards

National Competition Policy

Related documents

Risk Management Policy and Framework

Strategic Community Plan

Corporate Business Plan

Asset Management Plan and Policy

Workforce Plan

Long Term Financial Plan

Proceeds of Land Sales Policy

Document and version control table

Responsible Directorate	Corporate and Community Services
Contact officer	Manager Corporate Performance
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