

<b>DOCUMENT TYPE</b>	Policy
<b>TITLE</b>	<b>FINANCIAL SUSTAINABILITY</b>
<b>NUMBER:</b>	POL-2019

## **PURPOSE**

To ensure the Shire of Wyndham East Kimberley manages its finances responsibly and sustainably to meet current and future community and infrastructure needs.

This policy establishes principles for sound financial planning, budgeting and reporting that promote financial resilience, effective asset management and long-term community value, consistent with integrated planning and reporting.

## **DEFINITIONS**

### **Financial Sustainability**

The Shire's capacity to manage its finances to meet current service, asset maintenance and capital expenditure needs without compromising the ability of future councils to deliver services and infrastructure.

### **Intergenerational Equity**

Ensuring that today's ratepayers fund the services and assets they consume instead of deferring costs to future generations.

## **POLICY STATEMENTS**

The Shire operates in a regional and remote environment with a small population, high infrastructure costs, and reliance on intergovernmental funding. These factors shape the Shire's approach to sustainable service delivery, asset management and long-term financial planning.

### **1. Commitment to Long-Term Financial Sustainability**

The Shire will manage revenue, expenditure, assets and liabilities responsibly and strategically to maintain long-term financial sustainability. Decisions will balance financial responsibility with community needs, statutory obligations and intergenerational fairness.

### **2. Embedding Sustainability Principles**

Financial sustainability principles will underpin all strategic, operational and budgetary decisions. The Shire will maintain alignment between the Strategic Community Plan, Corporate Business Plan, Asset Management Plans, and Long-Term Financial Plan to ensure integrated, transparent and evidence-based financial management.

### **3. Planning for the Long Term**

The Long-Term Financial Plan (LTFP) will be reviewed annually and updated at least every four years to:

- Integrate with the Strategic Community and Corporate Business Plans.
- Reflect updated economic assumptions, asset-renewal data and population trends.
- Include scenario modelling and sensitivity analysis to test resilience to funding or environmental shocks.
- Provide the financial framework for annual budgets and investment decisions.

#### **4. Maintaining Asset Integrity**

Infrastructure investment decisions will apply lifecycle costing and asset-renewal principles to support intergenerational equity. Renewal and maintenance of existing assets will take precedence over new infrastructure unless there is a clear strategic, community, or economic justification.

#### **5. Responsible Debt Management**

Borrowing will be used strategically and responsibly to fund intergenerational assets that deliver enduring community benefit. Debt levels will remain within sustainable limits, and repayment capacity will be demonstrated through the LTFP.

#### **6. Building Financial Resilience**

The Shire will maintain adequate liquidity, operating surpluses and cash reserves to manage risk, meet commitments and respond to unforeseen events.

#### **7. Strategic Reserve Management**

The Shire will maintain and progressively build its reserves to support future asset renewal, strategic projects and risk mitigation. Over time, these reserves will help smooth capital expenditure and reduce the impact of major asset replacements on the annual budget. Transfers to and from reserves must align with the Long-Term Financial Plan and be approved through the annual budget process. Reserve balances will be reviewed annually to ensure they remain adequate and aligned with identified financial risks and priorities.

#### **8. Transparent and Accountable Reporting**

Financial management and reporting will comply with all relevant legislation, regulations, accounting standards, and reporting requirements to ensure transparency, accountability, and sound governance.

#### **9. Continuous Improvement**

The Shire will benchmark its performance using the Department of Local Government's key ratios:

<b>Ratio</b>	<b>Target</b>	<b>Range Purpose</b>
Operating Surplus Ratio	-2 % to +8 %	Measures capacity to fund operations and asset renewals
Own-Source Revenue Coverage Ratio	≥ 50 %	Indicates financial self-sufficiency
Debt Service Coverage Ratio	≥ 2.5	Assesses capacity to repay borrowings
Asset Sustainability Ratio	≥ 90 % (3-year average)	Measures adequacy of renewal investment
Asset Renewal Funding Ratio	80 %-110 %	Assesses alignment of renewal funding with asset plans

Performance will be reviewed annually to identify emerging risks, incorporate audit findings and improve forecasting accuracy. Quarterly financial reporting will monitor key ratios and trends for review by Council and the Audit Risk and Improvement Committee.

## **10. Implementation and Governance Oversight**

This Policy guides the preparation of budgets, financial plans, asset management plans, and capital investment decisions to ensure long-term sustainability and intergenerational equity.

The Chief Executive Officer is accountable for overall implementation and governance compliance. The Director Corporate Services is responsible for coordinating financial reporting, monitoring performance against key indicators, and reporting to the Audit, Risk and Improvement Committee. The Committee will review outcomes annually as part of the Annual Financial Audit and report to Council on the Shire's financial sustainability performance.

## **11. Leadership and Advocacy**

The Shire will advocate for equitable funding models, cost-reflective grant distribution, and sustainable regional investment—either independently or in collaboration with the Kimberley Regional Group, WALGA, and other stakeholders. Advocacy will focus on improving financial sustainability and securing long-term infrastructure funding to support effective service delivery across the Shire.

## **EXPLANATORY NOTES**

Regional local governments face constrained own-source revenue, high infrastructure costs, limited asset-data maturity and reliance on tied grants. These conditions heighten the importance of long-term planning, disciplined asset management and strong advocacy. Financial sustainability ensures that services and infrastructure are delivered efficiently, equitably and responsibly. This Policy reinforces the Shire's leadership in balancing community aspirations with fiscal responsibility, transparency and fairness across generations.

## **APPLICATION**

This Policy applies to:

- Elected Members responsible for governance, oversight, and decision-making.
- Executive Management and employees.
- All persons involved in the Shire's Integrated Planning and Reporting, financial and asset management, project planning, and economic development.

## **RISK**

Failure to adhere to this Policy may result in:

- Infrastructure deterioration and declining service levels.
- Unsustainable debt or rate shocks.
- Non-compliance with statutory obligations.
- Reduced access to external funding or partnerships.
- Loss of community confidence in the Shire's financial governance.

**DOCUMENT AND VERSION CONTROL**

<b>Responsible Directorate</b>	Corporate Services		
<b>Responsible Officer</b>	Director Corporate Services		
<b>Statutory References</b>	<ul style="list-style-type: none"><li>• <i>Local Government Act 1995 (WA) – Parts 6 &amp; 7</i></li><li>• <i>Local Government (Financial Management) Regulations 1996 – r.33-35</i></li><li>• <i>Local Government (Audit) Regulations 1996 – r.16 &amp; r.17</i></li><li>• Australian Accounting Standards (AASBs) – 13, 101, 108, 116, 136</li><li>• Integrated Planning and Reporting Framework and Guidelines (DLGSC 2016)</li></ul>		
<b>Related Documents</b>	<ul style="list-style-type: none"><li>• Strategic Community Plan 2023-2033</li><li>• Corporate Business Plan 2025-2029</li><li>• Long-Term Financial Plan</li><li>• Asset Management Strategy and Plans</li><li>• Workforce Plan 2017-2027</li><li>• Annual Budget</li><li>• Procurement Policy and Statement of Business Ethics</li></ul>		
<b>Amendment History (Adoption and last 3 amendments)</b>			
<b>Version</b>	<b>Date Issued - Resolution Number</b>	<b>Item #</b>	<b>Description of Change</b>
1.0	25/11/2025 - 119339	12.4.5	Council Adoption
<b>Date of Next Review</b>		November 2026	