

# Governance and Corporate Leadership

## GL11 Financial Viability



24 May 2017

*This policy was adopted by Council to set governing principles in place that align the strategic direction of the organisation with Goal 5 Effective Leadership and Governance*

### Objectives

The purpose of this policy is to continuously strengthen the Shire's financial performance and position and overall financial viability in order to effectively and efficiently deliver sustainable outcomes to the community.

### Policy

In carrying out its functions the Shire of Augusta Margaret River is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity. (*Section 1.3 of the Local Government Act*).

This requires ongoing prudent financial management to achieve sustainable outcomes for the community.

The Shire of Augusta Margaret River's long term financial performance and position will be sustainable where the:

- (1) Continuation of the Council's present spending and funding policies;
- (2) Likely developments in the Council's revenue raising capacity and in the demand for and costs of its services and infrastructure; and
- (3) Normal financial risks and financial shocks,

altogether are unlikely to necessitate substantial increases in Council rates or alternatively disruptive service cuts. (Ref: SA Inquiry Report 2005)

In accordance with the Intergovernmental Agreement on Cost Shifting (IGA) signed by the three tiers of government in 2006 the Shire of Augusta Margaret River commits to sound public governance through sound financial management, long term planning, infrastructure maintenance and renewal, effective service delivery and capacity building.

### Sound Financial Management

The Shire of Augusta Margaret River commits to:

1. Sound fiscal management by working towards:
  - a) prudent management of assets and liabilities;
  - b) ensuring that revenue and spending decisions have regard to their effect on future generations and ongoing financial sustainability;
2. Ensuring that its decisions on service delivery and the provision and maintenance of infrastructure are made with due regard to available, existing and anticipated future financial resources and competing priorities;

3. Improving its practices including strategic planning and resource sharing at local and regional levels, prudent borrowing and appropriate pricing regimes;
4. Being responsible for funding functions it chooses to undertake in an area of responsibility of other spheres of government, in addition to funding its existing core functions.

### **Long Term Planning**

The Shire of Augusta Margaret River will:

- 1) 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.
- 2) Implement and maintain asset management systems to achieve “whole of life” planning for asset and infrastructure maintenance and renewal.
- 3) Develop and maintain a long term Community Plan and a 4 year Corporate Plan underpinned by a Strategic Financial Management Plan, an Asset management Plan and a Workforce Plan in accordance with the DLG’s Integrated Planning Framework.
- 4) Adopt depreciation schedules which are accepted by the wider industry and which enable meaningful benchmarking to occur with other local governments.

### **Infrastructure Maintenance and Renewal**

The Shire of Augusta Margaret River will:

- 1) Increase the funding for infrastructure renewal and expansion by minimising growth in the operational budget and increasing the ratio of rate income and untied grants allocated for capital and non-recurrent items as opposed to recurrent spending;
- 2) Apply capital grants and asset sales proceeds for their intended purpose, namely funding the 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 (e.g. human and other services) deficits;
- 3) Adopt a whole of government approach to infrastructure maintenance, renewal and expansion and seek financial contributions from the State and Federal Governments;
- 4) Work with the local government industry to ensure that the State Government adequately compensates the Shire of Augusta Margaret River for functions devolved to them and to persuade the Commonwealth to tie local government grants to a growth tax (e.g. 1% of total Commonwealth taxes);
- 5) Adopt an intergenerational approach to financing infrastructure maintenance, renewal and expansion by Council using its capital revenues only for capital expenditure and boosting its capital borrowings to modest sustainable levels.
- 6) Avoid taking on additional responsibilities for asset maintenance and infrastructure renewal and expansion from the State Governments without a commensurate allocation of capital and recurrent funding.
- 7) Seek to provide fewer and better quality facilities by rationalising its assets and infrastructure through the prudent sale of surplus land, closing ageing facilities where appropriate and not duplicating facilities and services provided by the private sector and other non-profit bodies.
- 8) Maximise external funding opportunities for capital projects such as Roads to Recovery and Black Spot funding.

### **Effective Service Delivery**

The Shire of Augusta Margaret River will:

- 1) Not undertake services or functions, which duplicate to the extent considered inappropriate those provided by other tiers of government, the private or non-profit sector.

- 2) Decrease the size of the operating budget as a ratio of rate income plus untied grants by only taking on additional services and staffing when they are fully justified and where avenues to obtain external funding or where financial offsets can be gained from within the operating budget by shedding other services or functions or by increased efficiencies have been fully explored.
- 3) Avoid increasing the size of the operating budget by being overly compliance driven and risk averse as opposed to allocating resources for the achievement of strategic projects.
- 4) Conduct rolling reviews of services based on a sustainable best value analysis to ensure that services continue to meet community needs as strategic priorities for the Shire, are run effectively and efficiently and do not duplicate services provided by other providers.
- 5) Where possible and socially sustainable, operate services on a cost recovery basis.
- 6) Review the schedule of fees annually to ensure that services and facilities provided are benchmarked with other local governments to maximise return on investment whilst meeting adopted social objectives.
- 7) Avoid over servicing of client groups when meeting contractual obligations of external funding bodies and do not service any client groups outside of the Shire unless fully funded by the funding body including all on costs and a rental for any infrastructure used.
- 8) Ensure that any functions undertaken by local government on behalf of other tiers of government are appropriately funded to meet increasing compliance costs such as industry accreditation.
- 9) 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.

### **Financial Management Policies**

The Shire of Augusta Margaret River will:

- 1) Seek to ensure that the rate in the dollar is in keeping with regional expectations by benchmarking with the adjoining Councils and those of the South West Region.
- 2) Ensure that there are no budget deficits after extraordinary items such as asset sales and tied grants and borrowings are deleted or develop surplus budgets to transfer funds to cash backed reserves for future infrastructure needs.
- 3) Contract out services where the cost to ratepayers can be reduced without an unacceptable loss in service standards.
- 4) Benchmark 'back of house' services such as HR, Payroll and Financial Services with the State's shared service centre model or larger service providers.
- 5) Use the internal audit process and the Australian Business Excellence Framework to identify process improvements.
- 6) Improve its collection of data on Key Performance Indicators and report on the achievement of financial performance targets through the quarterly reports and Annual Report.
- 7) Use zero based budgeting to annually reconfirm the mix of services to be provided.
- 8) Develop an acceptable and sustainable borrowing and debt management program to fund infrastructure needs on an intergenerational basis.
- 9) Support WALGA efforts to claw back rate exemptions to charitable and non-profit organizations and resist any moves to expand the scope of exemptions.

### **Improving Capacity**

The Shire of Augusta Margaret River will :

1. Ensure the comprehensive induction and ongoing training for Councillors and staff on order to increase their understanding of sustainability principles and increase financial and asset management skills.
2. Review Governance and financial management in non-election years as part of a capacity building process to enhance financial management.

## Application

The application of this policy is the responsibility of Council and the CEO and applies to budget deliberations, requests for new services, grant applications, strategic planning exercises and community information sessions. This policy is to be reviewed every three years.

### Document and version control table

<b>Strategic outcome</b>	Corporate Plan 2014-2018 Goal 5 – Effective Leadership and Governance	
<b>Responsible Directorate</b>	CEO	
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