



## FINANCE – FINANCIAL SUSTAINABILITY POLICY

Type:	Council Policy		
Owner:	Chief Executive Officer		
Responsible Officer:	Director Corporate Services		
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Legislation Reference:	Parts 10.4 and 10.5 of the <i>Local Government Act 2019</i>		

### 1 PURPOSE

Katherine Town Council must implement the principles of sound financial management. These include managing financial risks, pursuing spending and policies that are consistent with a reasonable degree of stability, ensuring decisions are made with future generations in mind and openly disclosing financial information through publishing annual financial statements.

Council has a responsibility to ensure that it has sufficient resources now and into the future to provide levels of service that are both affordable and at a level considered appropriate by the community. This responsibility encompasses how decisions are made regarding the allocation of ratepayer funds to Council's day to day operations as well as towards the replacement of existing assets and procurement of new assets.

The purpose of this policy is to promote a financially sustainable approach to the funding of Council services in a way that enhances intergenerational equity. This Policy cannot prevent or limit any future decision of Council.

### 2 SCOPE

The policy applies to all Elected Members and Council employees with responsibility for making financial decisions in relation to service delivery including establishing budgets, regular budget reviews and individual service decisions.

### 3 DEFINITIONS

**Intergenerational equity** means that those who are using the benefits of a service provided by Council should contribute proportionally to its cost. In terms of a service provided by a long-lived asset such as a public pool, this means that present and future users of the service should pay for the service equally over the life of the asset.

### 4 DETAILS

Council delivers essential services to the Katherine community. These services are often infrastructure related. Many factors, including population scale and density, geographic location, industry structure and socio-economic

advantage, shape the circumstances within which Council operates. In terms of financial sustainability, the challenge for Council is to balance growth in revenue and costs with service levels consistent with community preferences.

Council is a perpetual corporation that provides services for generation after generation and upholding the principle of intergenerational equity is at the heart of being financial sustainable.

Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

## COMMITMENT TO FINANCIAL SUSTAINABILITY

Council is committed to maintaining financial sustainability through its budget and long-term financial management plan to ensure:

- that 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
- that revenue and spending decisions have regard to their effect on future generations
- that non-core services are provided on a minimum cost recovery basis
- that debt levels are minimised, and returns on cash holdings maximised
- there is prudent management of assets and liabilities, and
- that financial governance and audit controls are exercised in accordance with relevant legislation.

Council seeks to ensure that expenditure on goods and services to meet established service levels is undertaken efficiently and effectively. This will be achieved by ensuring staff compliance with Council's policies and procedures as well as partnering with key stakeholders such as Local Buy to ensure efficient cost procurement options are implemented.

### Revenue sustainability and growth

Council will apply annual rate increases that are fair and equitable, in accordance with the Rating Policy and Strategy.

Council will apply fees and charges to cover costs for non-core operations on a fair and equitable basis. Fees and charges are reviewed annually.

Council will apply statutory fees and fines in accordance with the Katherine Town Council By-Laws 1998.

Council will continually evaluate opportunities to increase own source revenue and access grant funding from government and non-government sources. Council will ensure compliance with grant funding obligations to maintain eligibility for future grants and apply effective project management to grant funded programs to ensure timely achievement of objectives.

Council will ensure that strict eligibility rules are applied for subsidised or free services.

### Asset management

Council holds and maintains a significant base of infrastructure assets, which necessitates not only substantial initial investment but also continued expenditure to maintain and renew assets over the course of their respective useful lives.

Asset management needs and investment requirements will be considered when developing or reviewing Council's strategic plan, municipal plan, annual budget, and long-term financial plan. Council will ensure that it maintains its infrastructure and assets on an ongoing basis at defined levels to ensure that services are able to be provided effectively to the community.

Asset management plans for key classes of assets will be developed and reviewed on a regular basis. Systematic and cyclic reviews will be applied to all asset classes to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice.

Assets will be managed in accordance with Council's Asset Management Policy.

## Borrowing

Council will restrict all borrowings to expenditure on identified capital projects that are considered by Council to be of the highest priority, and which cannot be funded from revenue, as identified by the adopted budget.

For financial management purposes, debt will be carried in the accounts in accordance with Council's major functions with the ability to individually identify the loans. Periodic reporting to Council will address outstanding debt and debt servicing. Each long-term borrowing in the books of the Council will be identified with a particular project.

All new borrowings will be identified in the Municipal Plan and Budget for the year in which the funds are proposed to be borrowed.

The debt servicing ratio, which is the ratio of Council's ability to use its operating income to repay short and long-term debt obligations, should not exceed 5% (principal plus interest repayments as percentage of total revenue).

All borrowing will be in accordance with Council's Borrowing Policy.

## Investments and Reserves

Council will invest its funds with consideration of risk and at the most favourable rate of interest available at the time for that investment type, while ensuring that Council's liquidity requirements are being met.

While exercising the power to invest, consideration will be given to value for money inclusive of the preservation of capital, liquidity, the return on investment and the investment institution's demonstration of local contribution through community benefits.

All investments will be made in accordance with Council's Investment Policy.

Reserves play an important role in the financial stability and long-term sustainability of Council and managing them effectively is an important aspect of Council's overall financial management approach.

In line with good governance and proper risk management, Council will consider an appropriate level of reserves for its circumstances, as well as a strategy for building or spending its reserves in a way that is consistent with its strategic plan.

The total of all reserves shall not exceed the current assets less current liabilities held by Council.

The use of reserves will be in accordance with Council's Reserves Policy.

## Financial monitoring, reporting and governance

As required under the *Local Government Act 2019*, Council publishes a range of annual reports outlining its approach to financial management including:

- Municipal Plan, including Council's Budget and Long-Term Financial Plan
- Annual Report including audited financial statements
- Rates Declaration, and
- Fees and Charges Schedule.

Elected Members receive regular finance reports at Ordinary Council Meetings. The agenda papers for all Council meetings are available on Council's website.

Council uses a range of primary indicators to assess and monitor financial sustainability and the implications of budgetary decisions such as: monthly cash position, details of investment portfolio, surplus / (deficit) position via monthly income statement, net assets position via balance sheet, and current ratio.

Council has established and maintains an Audit and Risk Management Committee to provide additional oversight of the audit process and outcomes, effectiveness of internal controls, and risk management processes. The Audit and Risk Management Committee play a central role in independently reviewing Council’s internal control processes and provides Elected Members with a level of assurance on the effectiveness of the Council’s financial and corporate governance practices as well as compliance with legislative and regulatory requirements.

## 5 ASSOCIATED POLICIES/DOCUMENTS

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Financial Management Practice Handbook

Rating Policy and Strategy

Asset Management Policy

Borrowing Policy

Investment Policy

Reserves Policy

## 6 REFERENCES AND RELATED LEGISLATION

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*Local Government Act 2019*

### Revision History

Version	Approval date	Details of change	Responsible officer
1	14/04/2023	Created	Director, Corporate Services
2			