Financial Management and Investment Strategy Policy

Effective Date	*1 July 2025*
Policy Type:	*Statutory Policy*
Policy Owner	*Chief Financial Officer*
Link to Corporate Plan	*Sustainable Organisation*
Review Date	*Special Meeting of Council Adopt 2026-27 Budget*
Related Legislation	*Local Government Regulation 2012; and* *Local Government Regulation 2012.*
Related Documents	*Revenue Statement;* *2025-26 Budget including the Long-Term Financial Plan;* *Debt Policy; and* *Investment Policy.*

Policy Version	Approval Date	Adopted/Approved
1	*19/06/2025*	*Special Meeting of Council Adopt 2025-26 Budget*

1. PURPOSE

The purpose of this policy is to provide a financial management framework upon which Council's Budget and Long-Term Financial Plan is developed.

2. SCOPE

Section 104(1) of the *Local Government Act 2009* states that to *'ensure it is financially sustainable; a local government must establish a system of financial management'.* Section 104(2) of the *Local Government Act 2009* states *' a local government is financially sustainable if the local government is able to maintain its financial capital and infrastructure capital over the long term*'.

Section 169(5) of the *Local Government Regulation 2012* defines the relevant measures of financial sustainability. The Department of State Development Infrastructure, Local Government and Planning in its Financial Management has issued the 2024 *Financial Management (Sustainability) Guideline*. This Guideline explains the concept of sustainability and provides guidance for calculating the relevant financial sustainability measures specified in Section 169(5) of the *Local Government Regulation 2012*.

The Auditor-General's 11 October 2016 report to Parliament titled *'Forecasting long-term sustainability of local government'* recommended that local governments broaden the number of ratios required to be calculated over ten (10) years to include the Asset Renewal Funding ratio, once local governments have improved their asset condition data. The report also indicated that local governments should make more extensive use of ratios rather than rely on those required by legislation.

Therefore, Council enhanced the ratios it uses to report on Financial Sustainability. The Ratios are listed in the table below. These ratios have legislative and Council targets (which are listed in Council's *Budget Policy*).

Type	Measure	Rationale
1. Financial Capacity	Council Controlled Revenue Ratio	Capacity to generate revenue internally
2. Financial Capacity	Population Growth Ratio	Population growth/decline pressures on council
3. Operating Performance	Operating Surplus Ratio	Holistic overview of council operating performance
4. Operating Performance	Operating Cash Ratio	Cash operating performance (less depreciation and other non- cash items)
5. Liquidity	Unrestricted Cash Expense Cover Ratio	Unconstrained liquidity available to council
6. Asset Management	Asset Sustainability Ratio	Capital renewals program performance
7. Asset Management	Asset Consumption Ratio	Extent to which assets are being consumed
8. Asset Management	Asset Renewal Funding Ratio	Asset replacement program performance
9. Debt Servicing Capacity	Leverage Ratio	Ability to repay existing debt

3. POLICY

Council's financial management and investment activities will incorporate the following principles to ensure the long-term financial sustainability of Western Downs Regional Council taking into account the needs of its communities and the financial capacity of its ratepayers, businesses, and residents.

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3.1 Revenue generation

A rates and charges regime that is not generally seen as onerous on ratepayers, businesses, and individuals.

3.2 Services delivered

The services delivered by Council are reviewed and are delivered in a financially sustainable manner having regard to sound procurement and expenditure management practices.

3.3 Disciplined Asset Management and Investment

Council regularly reviews its asset base and manages its assets in a manner which optimises its investment over the long-term.

3.4 Prudent Financial Management

Council manages its business to provide Council adequate capacity to manage shocks and the fluctuations of an economic cycle. This is achieved by:

(1) establishing and maintaining sound governance processes;

(2) over the long-term (ten years), achieving a cumulative operating surplus before capital grants and subsidies, with more years having an operating surplus than years with an operating deficit;

(3) considering the various options to deliver Council services and capital works. While outsourcing may represent the best option, this needs to be considered in the context of the impact on employment within the region and the level of market competition;

(4) regularly reviewing the asset base to determine the future need for these assets;

(5) considering the various options for delivery of the capital programme, including whole of life costs;

(6) weighting a preference to local contractors/firms, as this better ensures the long-term economic sustainability of the region;

(7) only using debt in circumstances where Council has adequate capacity to meet debt servicing and only borrowing to fund new or upgrade capital assets which are revenue generating. The use of debt to fund new or upgrades to social infrastructure should only be done is exceptional circumstances; maintaining borrowing terms that are shorter than the estimated life of the asset;

(8) maintaining capital is a priority when making financial investments; and

(9) where the activity/business is considered non-core, carefully considering whether it is a benefit to have Council deliver it.

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