

1. POLICY CERTIFICATION

Policy title:	Revenue Growth and Financial Sustainability Policy
Policy number:	FIN012
Category:	Policy
Classification:	Finance
Status:	Approved

2. PURPOSE

To provide a framework for the ongoing financial sustainability of Roper Gulf Regional Council, and to guide and inform long term financial planning and decision making by the Council and Roper Gulf Regional Council's Senior Management.

3. ORGANISATIONAL SCOPE

This policy applies to all Council Policies, Organisational Directives and Standard Operating Procedures developed by Roper Gulf Regional Council. It is relevant to all Roper Gulf Region Councillors, Local Authority Members, Council Committee Members and employees.

4. POLICY STATEMENT

"Councils that are financially unsustainable are most likely to be those characterised by Pricewaterhouse Coopers in its 2006 National Financial Sustainability Study of Local Government that exhibit:

- *Minimal or negative growth*
- *Limited access to rate revenue due to relatively small populations reducing the size of the rates income stream coupled with constraints on the size of annual rates increases.*
- *Limited access to strong financial and asset management skills which are critical to identifying sustainability problems, optimising renewals expenditure and improving revenue streams.*
- *Expanding service provision due to rising community demands, coupled with a related tendency by some Councils to step in to provide a non-traditional service.*
- *A tendency to run operating deficits creating a need to defer or underspend on renewal of infrastructure, particularly community infrastructure."*

Source: DHLGRS Review of Councils' Financial Sustainability

5. DEFINITIONS

Council	Roper Gulf Regional Council
RGRC	Roper Gulf Regional Council
The Region	Roper Gulf Regional Council

6. PRINCIPLES

- Council is committed to pursuing cost effectiveness and efficiency across all its operations.

- Revenue growth must exceed cost growth.
- Non-core services must be provided on a minimum cost recovery basis.
- Council's business plan and decision making processes must support financial sustainability.
- Financial governance and audit controls must be exercised in accordance with the NT Local Government Act.
- All revenue growth strategies must be equitable and take into consideration the social and economic impacts on Council residents.

7. POLICY CONTENT

7.1 Measuring and reporting on Council's financial sustainability.

- Acceptable range of financial indicators used to measure financial sustainability, including: cash balance time series; operating surplus ratio; current assets ratio; working capital ratio; and asset replacement ratio.
- Practices used to achieve financial sustainability, including: management and investment of cash resources; proactive and strategic sourcing of grants funding; management of outstanding debtor accounts; adequate provision for depreciation; control and management of inventories; and implementation of an asset management and renewal plan.

7.2 Improve efficiency, effectiveness and scale

- Ensure departments are operating to a defined plan and budget which is designed to achieve outcomes set out in the Regional Plan.
- Set KPI targets and check progress regularly.
- Use an appropriate methodology to determine and allocate overheads.
- Adopt a regional or shared approach to service delivery.
- Outsource non-strategic, low-risk, rule-based activities or high-volume transaction processes, if capacity does not exist in-house and/or if there is a suitable alternative supplier.
- Improve procurement practices in accordance with the Local Government (Accounting) Regulations.
- Adopt a commercial approach to acceptance of and delivery of non-core services.
- Streamline outdated and unnecessary procedural requirements.
- Benchmark operational practices and results against other organisations.

7.3 Expand own source revenue

- Apply annual rate increases that are fair and equitable.
- Apply annual increases to user fees and charges that are fair and equitable.
- Increase statutory fees and fines.
- Evaluate opportunities to increase own source revenue.
- Apply strict costing criteria when accepting contracts for provision of non-core services.

7.4 Reduce demand

- Apply or increase charges for services to meet costs (where possible).
- Tighten eligibility rules for subsidised or free services.
- Reduce demand by applying charges to services previously offered free of charge.

7.5 Re-order priorities

- Prioritise the fully-funded delivery of core services.
- Cross-subsidisation between programs and functions needs to be clearly identified and transparent.
- Community expectations surrounding service delivery must be managed.
- Reduce dependence on Council for non-core services.

7.6 Set clear and appropriate priorities

- Establish minimum levels of service delivery.
- Establish robust long-term service plans.
- Secure long-term funding for services and infrastructure where possible.

7.7 Strengthen asset management and financial capacity

- Establish and implement long-term asset management and renewal plans.
- Use total Asset Management Plans and systems to better manage asset renewals and replacements, and integrate into broader, long term Council objectives.
- Develop nationally consistent financial and asset management data systems.
- Ensure depreciation reserves are sufficient to maintain value of existing assets.

7.8 Increase management and governance capacity of Elected Members and professional staff.

- Encourage membership and attendance of professional bodies such as: Finance Reference Group, Financial Reporting Group, Local Government Accounting Advisory Committee, Financial Sustainability Taskforce, and other professional networks.
- Maintain an Audit Committee to provide additional oversight of the audit process and outcomes, effectiveness of internal controls, and risk management processes.
- Provide appropriate training in governance and leadership to Elected Members and professional staff.
- Borrowing guidelines and a borrowing policy must be completed.
- Seek legal advice prior to establishing corporate entities.

7.9 Use grant funding effectively to achieve Council objectives

- Use Federal and NT funding initiatives to fund community infrastructure in accordance with community priorities.
- Ensure compliance with grant funding to maintain eligibility for future grants.
- Apply effective project management to grant funded programs to ensure timely achievement of objectives.
- Funding requirements should be supported by a business case.
- Terms and conditions of grant funding need to be examined and amended where appropriate.
- Grant reporting requirements need to be evaluated and appropriate to the size of the grant.

8. REFERENCES

Acknowledgements (original author/source documents)	
Related Policies	
Related Publications	Price Waterhouse Coopers National Financial Sustainability Study of Local Government – Nov 2006 DHLGRS Review of Councils’ Financial Sustainability – May 2012

9. DOCUMENT CONTROL

Policy number	FIN012
InfoXpert ID	673962
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Amendments	
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10. CONTACT PERSON

Position	Manager Governance and Corporate Planning
Contact number	8972 9000