TEMORA SHIRE COUNCIL

TEMORA
The Friendly Shire

Financial Sustainability Strategy

ACTIVE

Review Details

ABOUT THIS RELEASE

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REVIEW HISTORY

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2026	**Review**		

1. Introduction

A **Financial Sustainability Strategy** is a critical component for ensuring the long-term financial health and resilience of Council. This strategy is designed to respond to financial principles in the NSW Local Government Act (1993) (*The Act*) and to align with the Office of Local Government's (OLG) **Integrated Planning and Reporting (IPR) Guidelines** and supports the Temora Shire **Community Strategic Plan**, **Delivery Program**, and **Operational Plan**. It outlines the financial principles, actions, and targets that will guide Council in achieving sustainability, ensuring financial accountability, and meeting community needs.

2. Purpose and Objectives

The purpose of the **Financial Sustainability Strategy** is to:

- Ensure the **long-term financial viability** of Council.
- Establish a framework for **financial decision-making** that aligns with Council's broader planning objectives.
- Strengthen **financial resilience** in the face of external challenges (e.g., economic downturns, natural disasters).
- Demonstrate transparent and accountable financial management to the community, stakeholders, and regulators.
- Support the achievement of Council's **Delivery Plan and Operational Plan** and other strategic planning frameworks by providing a stable financial base.

Key Objectives:

- Promote financial transparency and accountability in decision-making.
- Achieve an ongoing **balanced budget** (operating income equals operating expenses).
- Ensure the **asset management framework** supports sustainable infrastructure planning while ensuring achievement of intergenerational equity.
- Focus on **cost efficiency**, maximising value for money.
- Build **cash reserves** as a risk mitigation strategy to respond to unexpected events and future growth.

3. Application of financial management principles

The Financial Sustainability Strategy responds to the principles of sound financial management set out in section 8B of the Act. The principles of sound financial management which apply to Council are:

- Council spending should be responsible and sustainable, aligning general revenue and expenses

- Councils should invest in responsible and sustainable infrastructure for the benefit of the local community
- Councils should have effective financial and asset management, including sound policies and processes for the following:
  - Performance management reporting
  - Asset maintenance and enhancement
  - Funding decisions
  - Risk management practices.
- Councils should have regard to achieving intergenerational equity, including ensuring the following:
  - Policy decisions are made after considering their financial effects on future generations,
  - The current generation funds the cost of its services.

4. Alignment with Integrated Planning and Reporting (IPR) Framework

The Financial Sustainability Strategy must be integrated within the broader IPR framework to ensure consistency and alignment with Council's strategic objectives.

- **Community Strategic Plan (CSP):** The strategy supports Council's long-term vision and the community's aspirations for services, infrastructure, and social outcomes.
- **Resourcing Strategy:** This strategy articulates how Council will implement and resource the vision captured in the CSP. The Strategy has three components being the Asset Management Strategy, Workforce Management Strategy and the Long-Term Financial Plan.
- **Delivery Program:** This document will outline how Council will allocate resources to implement the actions in the CSP over the next 4 years.
- **Operational Plan:** A detailed breakdown of how Council will deliver services in the short term, aligning financial resources with day-to-day operational goals.

The strategy must be regularly reviewed and updated in line with the **Community Engagement** process outlined in the IPR guidelines to reflect any changes in community expectations, economic conditions, or legislative requirements.

5. Principles of Financial Sustainability

The following principles guide the financial decision-making and long-term sustainability of council:

1. **Long-term financial planning**: Develop a **10-year financial plan** to forecast revenue, operating expenditure, and capital expenditure requirements. This plan

should align with the CSP, Asset Management Strategy and the Workforce Management Strategy.

2. **Balanced Budget**: Achieve and maintain a balanced operating budget where operating revenues cover operating expenses. Minimise ongoing reliance on one-off revenues, such as grants or asset sales, to cover ongoing operating costs.
3. **Sustainable Asset Management**: Align financial resources with the **Asset Management Strategy** to ensure that the renewal, maintenance, upgrade and disposal of infrastructure are sustainable for the benefit of the community. Investments in capital works should consider the full lifecycle costs, including maintenance and replacement.
4. **Sustainable Service Delivery**: Ensure financial resources allocated to service delivery are aligned with community needs and expectations, while being delivered in a sustainable manner. This includes considering factors such as environmental sustainability, social equity and the cost of service provision over time.
5. **Cost-effectiveness and efficiency**: Identify opportunities to improve service delivery and reduce waste through service reviews, strategic partnerships, shared services (where appropriate), and technology adoption.
6. **Prudent Debt Management**: Limit the use of debt to sustainable levels, ensuring that borrowings are used for long-term assets such as infrastructure that generates a return on investment. Implement strategies to meet debt servicing requirements without compromising essential service delivery. Ensure the use of borrowings facilitates achievement of intergenerational equity.
7. **Revenue Diversity and Stability**: Increase Council's revenue sources, reducing reliance on grants. This includes regular review of Council’s User Fees & Charges, leveraging Council assets and strategically pursuing grants and other external funding sources to support capital projects and community initiatives.
8. **Financial Risk Management**: Identify, assess, and mitigate financial risks, including those related to economic downturns, fluctuations in revenue (including government grants), regulatory changes, and natural disasters. Review and ensure adequate insurance coverage for council-owned properties and infrastructure.
9. **Build Financial Reserves:** Build and maintain financial reserves to provide adequate working capital, manage unexpected events or short-term cash flow shortfalls. Reserves should be clearly allocated for specific purposes such as asset renewal or specific projects.
10. **Transparency and Accountability**: Ensure robust financial reporting practices in relation to the annual budget, Quarterly Budget Review Statements, Financial Statements and Annual Report.

6. Financial Goals and Targets

To ensure the long-term financial sustainability of Council, the following specific financial goals and targets are proposed:

1. **Operating Surplus Ratio**
   Target: Achieve an operating surplus ratio of at least 0% annually.
   This ratio measures the ability of council to generate surpluses from its operating activities.
2. **Asset Renewals Ratio**
   Target: Maintain an asset renewals ratio of at least 100%.
   This ratio compares the level of asset renewal against the depreciation of assets to ensure that Council is not allowing its assets to degrade over time.
3. **Debt Service Cover Ratio**
   Target: Maintain a debt service ratio (operating result before capital / Debt servicing costs P+I) of greater than 2 times.
   This ensures that the council's debt levels remain manageable and do not put undue pressure on operational cash flow.
4. **Cash Expense Coverage Ratio**
   Target: Maintain a cash expense coverage ratio of 3 months or greater.
   This provides the council with enough liquidity to meet short-term obligations without requiring borrowing.
5. **Infrastructure Backlog**
   Target: Reduce the infrastructure backlog (unfunded renewal needs) each year.
   This reflects Council's commitment to renewing its infrastructure assets.

7. Key Actions and Initiatives

1. **Enhance Asset Management Systems**
   - Implement an asset management framework to ensure the sustainable management of council assets.
   - Prioritise renewal of existing asset stock over the acquisition/construction of new or upgraded assets.
   - Prioritise asset renewals based on asset condition rating in conjunction with risk and criticality assessments of the infrastructure.
2. **Develop an Organisational Sustainability Improvement Plan**
   - Develop an organisational sustainability improvement plan focused on cost containment strategies and productivity improvements.
3. **Improve Revenue Generation**

- Review current revenue sources (rates, fees, charges) and consider options for increasing income such as the systematic increase of fees and charges and make application for a Special Rate Variation.

4. **Cash Reserves and Risk Management**
    - Develop a comprehensive financial risk framework that identifies and mitigates financial risks including unforeseen financial shocks.
    - Build a cash reserve for emergency situations.
5. **Expenditure Control**
    - Conduct regular service reviews to identify inefficiencies in operations.
    - Explore opportunities for shared services to reduce duplication and increase economies of scale.
    - Foster a culture of innovation to encourage the adoption of new methods, technologies or service models that can deliver more cost-efficient outcomes.
6. **Prudent Debt Management**
    - Ensure debt is used prudently to fund capital works that provide long-term return on investment, ensuring that current generations do not pass on undue financial burdens to future generations.
    - Regularly review debt levels to ensure compliance with financial sustainability benchmarks.

8. Monitoring and Review

The Financial Sustainability Strategy will be reviewed on an annual basis, with adjustments made to reflect changes in financial conditions, legislative requirements, and community expectations. Key performance indicators (KPIs) will be tracked, and the results will be published in council's Financial Statements and Annual Report.

9. Conclusion

This **Financial Sustainability Strategy** will guide Council in managing its finances effectively and ensuring long-term financial resilience. By implementing these principles and actions, the council can meet community needs, deliver essential services, invest in infrastructure while maintaining financial health and sustainability, meeting the principles of sound financial management as identified in the Act. Compliance with the Office of Local Government's **Integrated Planning and Reporting** guidelines ensures that the strategy is part of an integrated, transparent and accountable approach to local governance.