

FP033 – Own Source Coverage Ratio

1. Intention

To meet the minimum levels for this ratio, as set by the Department of Local Government, Sport & Cultural Industries.

2. Scope

This policy applies to Elected Members and employees of the Shire of Waroona.

3. Statement

This ratio compares Council's Annual Rate Yield to that of its Overall Operating Revenue for the year. The higher the level of Coverage, the higher the level of Self-Sufficiency.

The Department of Local Government, Sport & Cultural Industries has regulated that all local government authorities will develop and implement an Integrated Planning & Reporting Framework (IP&RF) compliant with the standards set out in the 'Integrated Planning and Reporting Advisory Standards'. The standards require Council to have adopted a number of 'Financial Management Policies', and for details of these to be included in the narrative section of the 10 year Long Term Financial Plan, and references to such policies are expected to be made in the 4 year Corporate Business Plan.

Department of Local Government, Sport & Cultural Industries Guide

The expectation is that "The Standard is not met if this ratio is any value lower than 2. Basic Standard is met if the ratio is greater than or equal to 2. Advanced standard is met at a higher level if this ratio is greater than 5". (IP&RAS, 2011, p6).

Council will attempt to ensure that its Rates Coverage Ratio is at least 40% of its Standard Operating Revenue each year, so that Council has a highly flexible position to help fund Capital Assets Renewals & Replacements, and to have the capacity to meet any unforeseen expenses from its own sources.

4. Legislative and Strategic Context

The *Local Government Act 1995* and the associated subsidiary legislation provide the broad framework within which this policy operates.

5. Review

This policy is to be reviewed as required.

6. Associated Documents

Other documents that have an association to this policy and that may be useful reference material are:

- Department of Local Government, Sport and Cultural Industries: Operational Guidelines No. 18 – Financial Ratios.

Division	Finance
Policy Number	FP033

Contact Officer		Director Corporate Services			
Related Legislation		Local Government Act 1995 Local Government (Financial Management) Regulations 1996			
Related Shire Documents		Annual Report			
Risk Rating	Medium	Review Frequency	As required	Next Review	When required
Date Adopted		25/06/2013		OCM13/06/048	

Amendments		
Date	Details of Amendment	Reference
28/10/2014	Updated as part of major review.	OCM14/10/127
18/12/2018	Updated as part of major review.	OCM18/12/126
22/06/2021	Updated as part of major review and reformatted.	OCM21/06/071
Previous Policies		
FIN032 – Own Source Coverage Ratio 1.36 – Own Source Coverage Ratio		