
FP030 – Operating Surplus Ratio

1. Intention

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

2. Scope

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

3. Statement

This Ratio is calculated by dividing the Standard Net Operating Surplus by the 'Own Source' Operating Revenue, being principally Rates, and Fees & Charges. The use of the word "Standard" refers to "Day to Day Operations", and therefore all non-recurrent Incomes and Expenses have been excluded from the calculations.

The DLGSC 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 policies to be included in the narrative section of the 10-year Long Term Financial Plan. References to these policies are also 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 the Operating Surplus is 0% (or below). The Basic Standard is met if the Operating Surplus is between 0% and 15%. The Advanced standard is met if the Operating Surplus is greater than 15%." (IP&RAS, 2011, p6).

For each financial year until the 2031/32 year, Council will attempt to reduce its deficit position with relation to the standard net "operating surplus ratio" position, with a view to attaining a surplus position. The level of change should be shown with relation to the "standard operating summary – by nature & type" included in the 2 main financial documents, being the 10-year long term financial plan, and the 4-year corporate business plan.

The Shire of Waroona attempt to achieve the basic standard of an Operating Surplus position of between 0% and 5% within the next 15 years.

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 triennially.

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	FP030				
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	Triennially	Next Review	June 2027
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
24/11/2015	Updated as part of major review.	OCM15/11/138
26/09/2017	Updated as part of major review.	OCM17/09/091
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
25/06/2024	Reviewed without amendment	OCM24/06/090
Previous Policies		
FIN029 – Operating Surplus Ratio		
1.33 – Operating Surplus Ratio		