



# **Shire of Kent**

## **Long Term Financial Plan 2026 – 2036**

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## Executive Summary

The Shire of Kent Long Term Financial Plan (LTFP) establishes a clear and disciplined financial framework to support the delivery of the community's aspirations and strategic priorities over the next ten years. The Plan is designed to guide informed and responsible decision making by balancing long-term financial sustainability with the ongoing delivery of essential services, investment in community infrastructure, and the prudent management of cash flow, reserves, and financial resources.

Covering the period from 1 July 2025 to 30 June 2036, the LTFP has been developed using the 2025/26 Amended Annual Budget as the baseline year. By grounding the projections in Council's most current financial position, the Plan provides realistic and transparent forecasts of operating performance, capital expenditure, cash flow, and financial capacity over the life of the Plan. Importantly, the LTFP is intended to remain a living document and will be reviewed annually to reflect changes in economic conditions, legislative requirements, community expectations, funding availability, and Council priorities. This ongoing review process ensures the Plan remains relevant, adaptable, and responsive to emerging challenges and opportunities.

The LTFP has been prepared with careful consideration of the Shire's current and future operational requirements, infrastructure commitments, and organisational capacity. The projections reflect Council's existing levels of service and the staffing resources required to maintain those services, recognising the importance of continuing to meet community expectations in a sustainable and financially responsible manner. In preparing the financial forecasts, Council has considered historical expenditure trends, operational spending patterns, and known future cost pressures, while adopting a conservative approach to revenue forecasting to minimise reliance on uncertain or unpredictable income streams. This balanced methodology supports the long-term financial sustainability of the organisation while maintaining flexibility to respond to changing circumstances.

To ensure the Plan remains achievable and financially responsible, Council will continue to regularly review its financial position and operational performance. Expenditure will be monitored and assessed to identify efficiencies and cost-saving opportunities, while revenue sources will be continually reviewed to assess long-term sustainability and financial performance. Council will also continue to assess opportunities for the rationalisation, renewal, or disposal of non-core assets and infrastructure where appropriate. Collectively, these measures will assist in strengthening financial resilience, improving operational efficiency, and ensuring that limited resources are directed toward services, infrastructure, and projects that deliver the greatest benefit to the community.

Importantly, the LTFP provides a critical link between Council's strategic objectives and its financial capacity to deliver them. By aligning long-term financial planning with the Strategic Community Plan and other integrated planning documents, the Shire is better positioned to make informed, transparent, and accountable decisions regarding future service delivery, infrastructure investment, and resource allocation. This integrated approach provides confidence to both Council and the community that the Shire is committed to maintaining sound financial management practices while continuing to plan responsibly for the future.

### Strategic Priorities

Over the 10-year life of the plan, the Shire will continue to invest heavily in its asset base, ensuring that infrastructure is maintained, renewed or expanded in a sustainable and financially responsible manner.

Key priority projects to be incorporated into the 10-year plan:

- Road Infrastructure Renewal Program
- Plant Replacement Program
- Key Worker Housing
- Nyabing Sports Pavilion
- Land & Building Facility Upgrades
- Other Infrastructure Facility Upgrades
- Main Street / Traffic Calming
- Regional Waste Facility
- 24 Hour Fuel Facility
- ICT & Furniture Renewal
- ERP Implementation

## Financial Capacity

The LTFP demonstrates the Shire's capacity to sustain an average of \$6.41 million in annual capital expenditure across the 10-year period, supported by annual rate increases of 3.5% with minimal forecast growth. Funding of major projects is contingent on securing external grant funding, and in some cases, projects may be deferred or not delivered if such funding is not achieved.

The Plan is structured around achieving and maintaining a balanced operating position while progressively building unrestricted cash reserves to an optimal target range of between \$1 million and \$2 million. Maintaining this level of liquidity is considered critical to ensuring the Shire can comfortably meet its short-term financial obligations and operational commitments, particularly during periods prior to the receipt of annual rate revenue and Financial Assistance Grant funding.

Establishing and maintaining adequate unrestricted cash balances also strengthens the Shire's financial resilience, improves cash flow management, and provides greater capacity to respond to unforeseen financial pressures or emerging operational requirements.

## Financial Outcomes

Key financial highlights of the LTFP include:

- Strong debt management: The Shire maintains a very low and sustainable debt position throughout the life of the Plan, with financial ratios remaining within acceptable benchmark levels.
- Strategic new borrowings: The Plan includes new borrowings of \$1.5 million to support the construction of housing infrastructure aimed at addressing local accommodation needs and supporting community sustainability.
- Reserve balances: Cash backed reserves remain strong over the life of the plan, decreasing from \$5.37 million in FY26 to \$4.63 million by FY36. This reduction reflects the planned use of reserve funds to support future asset renewal and strategic projects, while still maintaining a sound reserve position.
- Positive unrestricted cash position: The Shire is forecast to maintain unrestricted cash balances of approximately \$1.48 million, supporting ongoing operational liquidity and financial flexibility.

## Rating Strategy

The overall strategy has been designed with long-term financial sustainability in mind. It applies a modest 3.5% annual rate increase from FY27–FY36, ensuring stability in revenue generation without overburdening ratepayers.

## Risks and Funding Dependencies

A key risk within the LTFP is the reliance on external grant funding for several major community projects. While most funding allocations are confirmed, some projects include unconfirmed external contributions:

- Nyabing Sports Pavilion: \$2.08 million grant funding required for the \$2.6 million project.
- Nyabing Caravan Park: \$125,000 grant funding required for the \$250,000 project.

In addition to the projects specifically identified above, the LTFP also includes provision for additional grant funded road projects over the life of the Plan. The delivery and scope of these works are dependent on the Shire successfully securing external funding. Should the forecast funding levels not be achieved, the scale and timing of the proposed road works program will need to be reduced to align with the Shire's available financial capacity.

It would be unrealistic not to include these projects within the LTFP, as excluding them would leave the Shire unable to responsibly plan for their completion. Their inclusion demonstrates both the Shire's intent and preparedness to deliver should funding be secured. However, there remains a risk that some projects may need to be deferred, re-scoped, or not completed if the required funding cannot be obtained.

## Measuring Performance

The LTFP will be monitored against the Local Government Financial Indicator (LGFI) to assess performance and sustainability over time. The LTFP forecasts the Local Government Financial Index (LGFI) to achieve a score of 96 by the end of FY26 and maintain this strong performance throughout the life of the plan, with a score of 96 projected at FY36. This highlights the Shire's commitment to long-term sustainability, prudent financial management, and the delivery of stable, reliable services to the community.

The Shire of Kent's LTFP provides a realistic and responsible roadmap for delivering on the community's aspirations while ensuring financial sustainability. Through disciplined financial management, the Shire is well placed to meet current challenges and secure long-term prosperity for its community.

# Background

## Overview

The Shire of Kent is located in the Great Southern of Western Australia approximately 320km from Perth, it is made up of two towns, Nyabing and Pingrup. The Shire covers approximately 5,634 square kilometres, comprising approximately 230 kilometres of sealed roads and 1,200 kilometres of unsealed roads. This network plays a critical role in supporting agricultural production and access to essential services across the district.

It is believed that the word Nyabing is from Aboriginal origin and is thought to be derived from the Aboriginal word “ne-yameng,” which is the name of an everlasting flower *Helipterum manglessii*. The townsite was planned in 1911 as part of the Great Southern Railway. The name given to the siding was Nampup. The name Nampup is also of Aboriginal origin and is the name of a local soak. Lots were surveyed later in the year and the town was gazetted in 1912. The name was changed later that year after several complaints that Nampup was too similar to the town named Nannup, so the town was renamed to Nyabing.

The name Pingrup is also of Aboriginal origin, as are many of the rural town names in the Great Southern area. Pingrup was the name of a lake that is close to the townsite. The meaning of the word is unknown, with the name first appearing on the charts of the area in 1873. In 1923 the railway line was extended easterly from Nyabing to Pingrup and the district surveyor had land surveyed for a townsite at the railway terminus. When the name of the railway was being decided the railways department thought Pingrup was too similar to Tingerup and suggested “Geina,” a name which had been used for the area around 1900. The name was not acceptable to local settlers, who proposed ‘Lake Pingrup’ as an alternative. However, the lands Department decided that Pingrup was a more desirable name and not too similar to Tingerup after all.

## Pre-European Settlement

The district forms part of the traditional lands of the Goreng people of the Noongar nation, who maintained strong cultural and spiritual connections to the land for thousands of years.

## 1800's – Early 1900's

1829 – The name “Kent” is believed to originate from the commissariat officer associated with Dr Thomas Braidwood Wilson’s expedition through the region.

1873 – Early pastoral activity commenced within the district, with some of the first leases taken up around Cairlocup Lagoon. Sandalwood cutters and pastoral settlers were among the first Europeans to utilise the area.

Agricultural settlement expanded across the region as farming and wheat production developed throughout the Great Southern and south-eastern Wheatbelt districts.

## Early 1900's – 1970's

1924 - The town of Pingrup was officially gazetted on 9 May 1924.

1955 - The Kent Road Board was renamed the Nyabing-Pingrup Road Board to better reflect the communities represented within the district.

1961 - Following the introduction of the Local Government Act 1960, the Nyabing-Pingrup Road Board officially became the Shire of Nyabing-Pingrup.

1973 - The local government authority was renamed the Shire of Kent, restoring the historical district name.

## 1980's – 2000's – Mining Cycles and Population Change

Agricultural productivity continued to evolve with improvements in broadacre farming techniques, grain handling infrastructure, transport logistics, and farming technology.

## 2000's to Present

The Shire has continued to focus on maintaining essential infrastructure, supporting agricultural industries, promoting tourism and heritage assets, and sustaining community services across a small rural population base.

The Shire of Kent remains a predominantly agricultural local government area with a strong focus on road infrastructure, asset management, community sustainability, and long-term financial sustainability.

The table below shows the key characteristics of the Shire of Kent as per the 2021 Census data provided.

Category Description	2021 Kent Census Data	2021 State (WA) Census Data
<b>People and Population</b>		
Population	491	2,660,026
Male: Female ratio	56:44	50:50
Median age	39	38
Children and young teens (0-14)	24.2%	19.0%
Working age (15-64)	66.1%	65.0%
Seniors (65+)	9.7%	16.1%
Median household income	\$1,784	\$1,815
Tertiary qualification	8.3%	21.3%
Weekly rent	\$105	\$340
Rent affordability (as a % household income)	5.9%	18.7%
<b>Cultural Diversity (Ancestry)</b>		
Australian	47.9%	29.7%
English	44.6%	37.6%
Scottish	8.9%	3.0%
Irish	7.5%	8.7%
German	6.3%	8.8%
<b>Religion</b>		
Anglican	9.6%	10.1%
Catholic	7.1%	18.7%
Christian	5.3%	3.4%
No Religion / Not Stated	64.7%	42.5%
<b>Employment Status</b>		
Worked full-time	73.2%	57.1%
Worked part-time	21.5%	32.0%
Away from work	6.9%	5.8%
Unemployed	1.5%	5.1%
<b>Industry of Employment</b>		
Grain-Sheep or Grain-Beef Cattle Farming	32.6%	0.2%
Other Grain Growing	20.5%	0.2%
Primary Education	8.1%	2.2%
Local Government Administration	6.6%	1.3%
Sheep Farming (Specialised)	3.5%	0.2%

## Introduction

### Long Term Financial Plan

The LTFP spans a ten (10) year period and is designed to ensure that the Shire of Kent is well positioned to achieve the objectives of its overarching Strategic Community Plan. The LTFP is a key component of the Shire's integrated planning framework, providing the financial foundation to guide internal decision making and confirm that the planned capital program is both deliverable and sustainable, without placing the long term financial health of the organisation at risk.

Recognising the dynamic nature of the assumptions on which it is based, the LTFP will be reviewed regularly and updated as required to ensure it remains relevant and fit for purpose. Unforeseen events, shifts in strategic direction, or the availability of additional grant funding are all factors that must be carefully considered in relation to the currency of the plan. Even seemingly minor variations can have a cumulative effect on the Shire's long-term financial position and its capacity to deliver capital works, underscoring the importance of continuous monitoring and adjustment.

### Long Term Financial Plan Objectives

The financial objectives of the LTFP are to:

- Establish a flexible and forward-focused financial framework that clearly demonstrates the long-term sustainability of Council's planned activities and supports informed decision-making in response to changing community needs and external conditions.
- Ensure that strategic and operational decisions are undertaken within Council's adopted financial parameters, sustainability measures and performance benchmarks.
- Enhance transparency, accountability and confidence in Council's financial management practices by providing a clear basis for long-term financial planning and decision-making.
- Support a culture of continuous financial improvement through prudent cost management, the early identification and management of financial risks and challenges, and the consideration of alternative funding opportunities and service delivery models where appropriate.

### Financial Strategies

The Shire of Kent recognises that relying solely on rate increases is not a sustainable approach to meeting the Shire's long-term financial and service delivery obligations. Council remains committed to delivering infrastructure, facilities and services to the community in a manner that is affordable, practical and financially sustainable for its ratepayers.

Given the Shire's relatively small population base and extensive rural infrastructure network, it is essential that financial resources are managed prudently and strategically to ensure the ongoing sustainability of services and assets.

To support this objective, the LTFP is underpinned by the following financial strategies and principles:

- Maintain a fair, equitable and sustainable rating structure that reflects the capacity of the community and the level of services provided.
- Continue to support community groups, volunteers and local initiatives that contribute to the social wellbeing and resilience of the district.
- Encourage increased utilisation of Shire-owned facilities and community infrastructure.
- Recognise that certain community facilities and services may not operate on a full cost recovery basis due to the importance they provide to community wellbeing and liveability.
- Seek to diversify and increase revenue from non-rating sources where practical and appropriate.
- Maximise external funding opportunities, including grant funding, to support operational activities, infrastructure renewal and capital development.
- Regularly review service delivery methods to identify efficiencies, innovation opportunities and alternative delivery models.
- Investigate regional collaboration and shared service opportunities where they may improve service outcomes or reduce costs.
- Invest in technology and systems that improve operational efficiency, governance and long-term financial management.
- Maintain responsible and sustainable debt management practices where borrowings are required to support strategic infrastructure outcomes.
- Continue to maintain and renew infrastructure assets to an appropriate and sustainable standard within available financial capacity.
- Prioritise external funding contributions for infrastructure and community facility development
- Consider multi-purpose and flexible facility design principles to minimise future capital renewal and ongoing operational costs.

## Strategic Direction

The LTFP highlights the Shire’s capacity to deliver on the goals and aspirations identified in the Community Strategic Plan and Corporate Business Plan. It extends the financial outlook beyond the four-year Corporate Business Plan to cover a ten-year period, providing an indicative assessment of the Shire’s long-term financial sustainability.

The primary purpose of the LTFP process is to assess whether the strategic intent outlined in the Shire’s integrated planning documents can be achieved without compromising the long term financial stability of the organisation. It serves as a vital tool for aligning available resources with community priorities, while ensuring the ongoing viability of Shire operations.

The LTFP provides essential information for evaluating resourcing requirements to achieve community objectives in a financially sustainable manner. While the financial projections are based on current assumptions and estimates, they are intended to present an overview of likely outcomes. As the Shire’s operations evolve, changes to the Corporate Business Plan may necessitate regular updates to the LTFP to ensure ongoing accuracy and relevance.

The LTFP also forms a key component of the Integrated Planning and Reporting Framework, which brings together the Community Strategic Plan, Corporate Business Plan, Asset Management Plans, Workforce Plans, Issue- and Area-Specific Plans, the Long-Term Financial Plan, and the Annual Budget. Together, these documents create a cycle of planning, delivery, and review that ensures the Shire’s activities remain strategically focused, financially sustainable, and responsive to community needs.



### Strategic Community Plan

The Shire’s Strategic Community Plan 2023–2033 is a key document that helps guide the future direction of the Shire, with a strong focus on capturing and advancing the aspirations and goals of the community.

### Community Vision

A proud, inclusive and growing community.

### Strategic Priorities

Each theme has several strategic priorities feeding into it, as shown below. While current activities and service levels will continue over the short to medium term in many cases, the priorities show what the Shire will focus on over the coming years. These priorities will be updated at least every four years as the Plan is reviewed and refreshed.

### Community

The key strategic priorities identified are;

- Communities are healthy, connected and safe communities
- Inclusive community activities, events, services and initiatives
- Well maintained community spaces and infrastructure
- Support emergency services planning, risk mitigation, response and recovery

### Economy

- Delivery of economic services and projects
- Access to local education pathways
- Safe and efficient transport network enables economic growth
- Visitors have a positive experience across our Shire

## Environment

- Maintain a high standard of environmental health and waste services
- Conservation of our natural environment and resources

## Civic Leadership

- Forward planning and implementation of plans to achieve community priorities
- Proactive and well governed Shire

## Corporate Business Plan

The Corporate Business Plan is the key document responsible for translating the strategic direction of the Shire, as articulated in the Strategic Community Plan 2023–2033 into practical actions.

Delivering on the community's aspirations and goals requires the development and implementation of strategies identified within the Strategic Community Plan. Given the limitations of available financial resources, this requires careful operational planning and prioritisation to ensure strategies are delivered in a way that is both achievable and sustainable.

The Corporate Business Plan formalises this process by outlining the specific initiatives, projects, and services to be delivered, and aligning them with the Shire's financial capacity. It serves as the critical link between the Strategic Community Plan and the Annual Budget, putting the Shire's long-term vision into action through clearly defined, resourced, and measurable commitments.

## Annual Budget

The annual budget process is guided by the Shire's strategic and business planning activities and is undertaken in accordance with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996. It is reviewed each year to ensure compliance, accuracy, and relevance, and serves as the mechanism for updating the Corporate Business Plan and other associated planning documents within the Shire's Integrated Planning and Reporting Framework.

Importantly, the annual budget represents the operational expression of the Shire's long term planning. It translates the community's aspirations, as outlined in the Strategic Community Plan, into funded projects and services, while also ensuring alignment with the financial parameters set out in the LTFP. In this way, the budget provides the bridge between strategy and delivery, ensuring that resources are directed towards the highest priorities in a responsible and sustainable manner.

## Workforce Plan

The Workforce Plan outlines the human resources required to deliver the objectives of the Community Strategic Plan and sets out the strategies to address the challenges facing the Shire's workforce. It provides a strategic framework for managing both current and future organisational needs, ensuring that the Shire is equipped with the right skills, capacity, and structure to achieve its goals. The Workforce Plan is currently under review in the 2025/26 financial year.

Key objectives of the Workforce Plan include:

- Identifying critical skills and positions within the organisation.
- Assessing gaps between the current workforce and future workforce requirements.
- Analysing internal and external challenges that may impact workforce capability.
- Developing strategies to address these gaps and mitigate risks associated with workforce challenges.

## Asset Management Plan

The Asset Management Plan (AMP) provides a detailed assessment of the status of the Shire's infrastructure assets and identifies the renewal requirements necessary to maintain or enhance the Shire's levels of service to the community.

The plan adopts a whole-of-life approach, integrating operational, maintenance, renewal, and acquisition planning with appropriate funding levels to ensure that assets continue to deliver the required standard of service. The AMP also outlines the levels of infrastructure maintenance required to sustain service delivery, ensuring that the Shire can meet community expectations in a way that is both affordable and sustainable.

In addition, the AMP will assess whether certain assets should be maintained, renewed, or rationalised on a cost-versus-usage basis, ensuring that investment in infrastructure is directed towards assets that provide the greatest value to the community relative to their upkeep. This approach supports responsible asset management by aligning renewal decisions with actual demand, service outcomes, and long-term financial sustainability.

Reported levels of service and associated risks are carefully considered in the development of these plans, and asset performance will be regularly measured, monitored, and reported to support accountability and continuous improvement.

Importantly, the AMP plays a critical role in informing the LTFP by identifying the timing and cost of future renewal and replacement needs. This ensures that capital works programs are financially sustainable, renewal backlogs are managed responsibly, and infrastructure funding requirements are accurately reflected in the Shire's forward financial projections. In this way, the AMP provides the evidence base for long-term investment decisions, ensuring that the Shire's assets are managed in a way that supports community expectations, service delivery outcomes, and overall financial sustainability.

### Risk Management

The risk framework provides a structured and consistent approach to identifying, assessing, and managing risks across all areas of the organisation. By embedding risk management into everyday operations, the Shire ensures that potential threats are identified early, mitigation strategies are implemented, and opportunities for improvement are realised.

The framework is designed to be proactive rather than reactive, ensuring that the quality and continuity of service delivery are not adversely affected by unforeseen events or emerging challenges. It also ensures that risks are considered in the context of the Shire's strategic objectives, financial capacity, and community expectations, rather than being treated in isolation.

Importantly, the framework also supports the development and ongoing review of the LTFP by identifying and assessing risks associated with financial sustainability, infrastructure renewal, service delivery, workforce capacity, and reliance on external funding sources. As a regional rural local government, the Shire of Kent faces a number of strategic and operational risks that may impact its long-term financial position and ability to deliver services to the community.

Specific risks relevant to the Shire include:

- Rising construction, maintenance, and operational costs, particularly in relation to road infrastructure and essential community assets, which may place increasing pressure on the Shire's limited financial resources.
- A reliance on grant funding to support the delivery of major capital works and infrastructure renewal programs. Delays, reductions, or the withdrawal of external funding may require projects to be deferred, rescoped, or funded through alternative sources.
- Fluctuations in agricultural production and seasonal conditions, including drought and other adverse weather events, which may impact the local economy, community capacity, and the broader financial sustainability of the district.
- Population trends and demographic changes, including population decline or an ageing population, which may reduce the Shire's revenue base while increasing demand for certain community services and infrastructure.
- The ongoing challenge of attracting and retaining skilled staff in regional areas, which may impact organisational capacity, service delivery, and the ability to maintain operational continuity.
- Increasing compliance, governance, and legislative requirements placed on local governments, which continue to place pressure on limited staffing and financial resources.
- The condition and long-term sustainability of the Shire's transport infrastructure network, particularly given the extensive road network maintained by the Shire and the increasing costs associated with renewal and maintenance activities.
- Economic uncertainty, inflationary pressures, and changes in interest rates, which may impact both operating expenditure and the affordability of future capital projects and service delivery requirements.

By recognising and proactively monitoring these risks, the Shire is better positioned to make informed decisions, respond to changing circumstances, and maintain long-term financial sustainability while continuing to deliver essential services and infrastructure to the community.

## Model Assumptions

### Financial Assumptions

Like any plan there are underlying assumptions on which the basis of the plan is derived. It is important to emphasise that the projects identified in the LTFP are to be used as guidance and do not financially commit the Shire to implement those projects identified. Rather, they act as a guide towards drafting the Annual Budget and as such the LTFP, along with other associated plans, will be reviewed each year by Council during the Annual Budget process.

### Underlying Principles

The following principles have been applied in the development of the LTFP for the Shire of Kent:

- Existing service levels will be maintained where financially sustainable to ensure the continued delivery of essential services and to meet reasonable community expectations.
- A fair, equitable, and financially sustainable rating strategy will be maintained to support the long-term financial viability of the Shire, while balancing the capacity of the community to absorb future rate increases.
- Council will continue to actively pursue grant funding and external funding opportunities to assist with the delivery of strategic projects, infrastructure renewal, and community development initiatives.
- Existing infrastructure assets will be managed, maintained, and renewed in accordance with agreed service levels and asset management priorities to ensure assets remain safe, fit for purpose, and financially sustainable over their useful lives.
- Financial decisions will be guided by long-term sustainability principles, with an emphasis on maintaining balanced operating positions, strengthening unrestricted cash reserves, and responsibly managing future financial risks.
- Capital expenditure programs will be prioritised based on community need, asset condition, strategic alignment, available funding, and the Shire's overall financial capacity.
- The LTFP will be reviewed and updated regularly to ensure financial projections remain relevant and responsive to changing economic conditions, legislative requirements, community priorities, and operational demands.

### Major Projects

The following key projects have been identified as priorities within the plan;

- Road Infrastructure Renewal Program
- Plant Replacement Program
- Key Worker Housing
- Nyabing Sports Pavilion
- Land & Building Facility Upgrades
- Other Infrastructure Facility Upgrades
- Main Street / Traffic Calming
- Regional Waste Facility
- 24 Hour Fuel Facility
- ICT & Furniture Renewal
- ERP Implementation

## Key Assumptions

The following table summarises the two key variables applied within the plan;

Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Rates</b>	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
<b>CPI</b>	4.60%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

## Revenue Assumptions

The following table summarises the key revenue assumptions applied within the plan;

Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Rates</b>	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
<b>Operating Grants</b>	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Fees &amp; Charges</b>	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Capital Grants</b>	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest</b>	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Other Revenue</b>	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

### Rates

Rates and Annual Charges represent the Shire's primary source of operating revenue, accounting for approximately 42% of total revenue (excluding Capital Grants) over the course of the plan.

The Shire's rates base is predominantly driven by the agricultural sector, with approximately 95% of total rates revenue generated from rural and farming-related properties and activities. As a result, the Shire's long-term financial position remains intricately linked to the strength and sustainability of the local agricultural economy, seasonal conditions, and broader rural economic factors affecting the district.

Rate increases throughout the life of the LTFP have been forecast to average approximately 4.14% per annum over the ten-year period, with annual increases not projected to exceed 5% in any individual year. This approach has been adopted to provide a balanced and sustainable rating strategy that supports the Shire's long-term financial sustainability while seeking to minimise significant fluctuations in rates revenue and maintaining affordability for ratepayers.

### Fees and Charges

Fees and Charges are projected to represent approximately 10% of the Shire's total operating revenue (before Capital Grants) over the course of the plan.

Total Fees and Charges revenue of approximately \$0.65 million is forecast for FY26, with the largest contributor being rental income generated from the Shire's significant housing portfolio. Rental income is expected to generate approximately \$0.33 million, representing just under 52% of total Fees and Charges revenue for the year.

Other significant contributors to Fees and Charges revenue include:

- Sewerage Charges – approximately 8%
- Pingrup Caravan Park – approximately 8%
- Standpipe Usage – approximately 8%
- Refuse Collection Charges – approximately 4%

The remaining revenue is generated from a range of statutory and community services, including animal registrations, building approvals, planning application fees, and other regulatory and user-pays services provided by the Shire.

### Operational Grants, Subsidies and Contributions

The Shire historically receives approximately 44% of its operating revenue from operational grants, subsidies and contributions.

The majority of this funding is derived from the Commonwealth Financial Assistance Grant (FAG), which is forecast to total approximately \$2.58 million in FY27 and represents around 88% of all operating grants revenue.

The balance of operating grant funding is primarily sourced from Main Roads Direct Grants, which provide untied funding support for the local road network. The Shire also receives a small amount of funding from DFES through the Local Government Grants Scheme (LGGS) to support volunteer bush fire brigade operations. This funding is derived from the State's Emergency Services Levy (ESL), which is collected from ratepayers by local governments on behalf of the State Government.

These funding streams provide an important and relatively stable source of revenue for the Shire and have historically increased broadly in line with inflationary movements such as CPI.

The LTFP has adopted a conservative and financially responsible approach by only incorporating operational grant funding where there is a reasonable degree of certainty regarding its continuation. This approach recognises the inherent risks associated with short-term, one-off, or project specific grant funding and assists in maintaining the long-term financial sustainability of the Shire.

#### Investment Income

Interest revenue represents a significant source of income for the Shire, accounting for approximately 3% of total operating revenue. This is primarily driven by the Shire's strong cash reserve position and the investment of surplus funds.

The Shire's investment strategy is based on investing funds that are surplus to immediate operational requirements. Within the LTFP, it has been assumed that available surplus funds will continue to be invested across a diversified portfolio of term deposits and approved securities in accordance with the Shire's adopted Investment Policy and legislative requirements.

For the purposes of long-term financial modelling, investment returns and interest rates have been forecast broadly in line with CPI throughout the life of the Plan. The LTFP has intentionally avoided speculating on future interest rate volatility or short-term market movements, ensuring that financial projections remain prudent, transparent, and based on conservative assumptions.

#### Reimbursements and Other Revenue

The Shire receives minor revenue and reimbursements from a variety of sources, which collectively represent a relatively small component of overall operating income, contributing approximately 1% of total revenue (before Capital Grants) over the course of the plan.

Historically, this revenue category has also included insurance recoveries associated with claimable events. However, it is important to note that these recoveries are generally offset by corresponding expenditure and therefore do not typically result in a net financial benefit to the Shire.

In preparing the LTFP, no allowance has been made for future insurance recoveries, reflecting a prudent and conservative forecasting approach. All other minor revenue streams have been projected to increase in line with CPI assumptions applied throughout the Plan.

#### Capital Grants and Contributions

The Shire receives regular Capital Grants to fund or subsidise the delivery of strategic capital projects.

Road related funding streams, such as the Regional Road Group program, have been indexed in line with CPI, while Roads to Recovery funding has been included past the current program which ends in FY29.

The certainty of other grant programs, such as the Local Roads and Community Infrastructure Program, remains less predictable. Accordingly, the LTFP only includes funding allocations that are considered highly likely to be received. Projects identified over the 10-year life of the plan are included on the basis that they will only proceed where all, or a substantial proportion of, external funding is secured to cover their costs.

This approach ensures that the capital works program remains both realistic and financially sustainable, avoiding undue reliance on uncertain funding while still positioning the Shire to leverage opportunities as they arise.

## Expenditure Assumptions

The following table summarises the key expenditure assumptions applied within the plan;

Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Employee Costs</b>	3.60%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Materials &amp; Contracts</b>	4.60%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Utility Charges</b>	4.60%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
<b>Finance Costs</b>	5.60%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
<b>Insurance</b>	4.60%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Other Expenditure</b>	4.60%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

### Employee Costs

Employee costs encompass salaries and wages, leave entitlements, superannuation contributions, training, and workers' compensation expenses. They represent the most significant operating expenditure for the Shire, accounting for approximately 35% of forecast operating expenses in FY26.

For the purposes of the LTFP, employee costs have been projected to increase in line with CPI, estimated at 4% per annum over the life of the plan. This approach reflects both anticipated cost pressures and the Shire's commitment to ensuring that workforce resources remain sufficient to deliver the service levels expected by the community.

It also recognises that service levels must be reviewed regularly to ensure staffing levels remain appropriate and sustainable. This process ensures that the organisation can adapt to changing community needs, manage costs effectively, and align workforce capacity with the Shire's financial and strategic priorities.

### Material and Contracts

Materials, contracts, and other expenditure encompass the broad range of costs incurred by the Shire in maintaining facilities, operating infrastructure, and delivering services to the community. This category represents the second largest area of operating expenditure for the Shire of Kent, accounting for approximately 18% of forecast operating expenses in FY26.

The most significant expenditure within this category relates to the maintenance of the Shire's extensive road network. Other major cost drivers include domestic waste collection services, the operation and maintenance of waste facilities, audit services and other administrative expenses necessary to support ongoing operations.

For the purposes of the LTFP, expenditure within this category has been indexed in line with CPI assumptions across the life of the Plan. This approach provides a reasonable and consistent basis for forecasting future operating costs while maintaining a prudent long-term financial outlook.

### Finance Costs

Interest costs are negligible and account for less than 1% of total operating expenditure throughout the life of the LTFP.

The LTFP maintains a prudent and responsible approach to debt management, ensuring that borrowings remain at sustainable levels while supporting the delivery of strategic infrastructure and community outcomes. Financial modelling indicates that the Shire is able to comfortably meet its debt servicing obligations over the duration of the Plan while maintaining strong financial sustainability indicators.

### Insurance Costs

Insurance costs represent approximately 3% of the Shire's total operating expenditure and form an important component of the Shire's overall risk management framework.

For the purposes of the LTFP, insurance expenses have been forecast to increase in line with CPI assumptions throughout the life of the Plan, reflecting historical cost movements and a prudent long-term forecasting approach.

The Shire will continue to regularly review its insurance arrangements to ensure that appropriate levels of coverage are maintained across all operational areas. Future forecasts will also take into consideration any significant changes to the Shire's asset base, operational activities, legislative requirements, and overall risk profile.

### Utility Costs

Utility costs represent approximately 3% of the Shire's total operating expenditure. For the purposes of the LTFFP, these costs have been forecast to increase at a rate equivalent to 1.5 times CPI. This reflects the historical trend of utility expenses, particularly energy costs, increasing at rates above general inflation.

Despite this assumption, utility expenditure will continue to be closely monitored throughout the life of the Plan, as fluctuations in electricity, water, and fuel pricing have the potential to materially impact operating costs over time.

A significant proportion of utility costs relate to standpipe usage and the Shire's housing portfolio, with a substantial portion of these costs being recovered through associated fees and rental income. Additional utility expenses are incurred across a range of operational areas, including parks and gardens, community facilities, administration buildings, and other Shire service areas.

### Other Costs

Other costs represent approximately 1% of the Shire's operating expenditure.

This category typically includes expenditure associated with health service arrangements, elected member costs, and rates recovery activities, as well as a range of minor costs such as statutory fees and charges, taxes, provisions for bad debts, and donations or subsidies provided to community groups.

### Fair Value Adjustments

Local Government (Financial Management) Regulations 1996 Regulation 17A relates to the requirement for local governments in Western Australia to undertake regular reviews of the fair value of infrastructure, property, plant and equipment assets.

In summary, Regulation 17A requires that:

- A local government must review the fair value of all material assets with sufficient regularity to ensure that the carrying amount in the financial statements does not differ materially from fair value.
- As a minimum requirement, fair value assessments for all assets must occur at least once every 5 years.
- The review must be undertaken in accordance with applicable Australian Accounting Standards.
- Local governments must consider whether market movements, condition changes, construction cost increases, or other factors indicate that asset values may have materially changed between formal valuation periods.

The regulation underpins the requirement for local governments to maintain robust asset management and valuation practices to ensure financial statements fairly reflect the value of Council-controlled assets.

The LTFFP does not include any projections related to fair value adjustments to avoid an inaccurate representation of the Shire of Kent's asset base.

## Capital Assumptions

### Capital Works and Infrastructure

The LTFP has developed a ten (10) year Infrastructure Renewal Program which outlines the proposed expenditure requirements for new infrastructure assets, ongoing asset management and the replacement of existing assets. This program provides a forward-looking view of the Shire's anticipated capital works requirements over the next decade.

It is important to note that the Infrastructure Renewal Program is not a formally adopted plan of Council, but rather an indicative estimate based on the best available information at the time of preparation. The cost and timing estimates, together with the assumptions underpinning the program, are prepared by management using the most recent and reliable data available. As such, the program should be viewed as a planning tool to guide future decision-making and prioritisation, with all projects subject to Council approval and the availability of funding at the time of implementation.

Some of the highlights throughout the course of the plan include;

Project	Estimated Cost	Timing
Road Infrastructure Renewal Program	\$44,843,631	FY26-36
Plant Replacement Program	\$10,409,476	FY26-36
Key Worker Housing	\$3,500,000	FY26-36
Land & Buildings Renewal	\$3,107,520	FY26-36
Nyabing Sports Pavilion	\$2,600,000	FY26-36
Other Infrastructure Renewal	\$2,018,290	FY26-36
Regional Waste Facility	\$1,000,000	FY33-35
24 Hour Fuel Station	\$600,000	FY31-32
ICT & Furniture & Equipment Renewal	\$510,000	FY26-36
Main Street / Traffic Calming	\$500,000	FY27-32
Urban Regeneration	\$500,000	FY27-28
ERP Implementation	\$400,000	FY30
Nyabing Caravan Park	\$250,000	FY28-29
Nyabing Administration Building	\$175,000	FY26-36
Pingrup Sports Pavilion	\$155,000	FY26-36

### Depreciation

Depreciation is the systematic allocation of the cost of the Shire's infrastructure, property, plant, and equipment over their estimated useful lives, and it represents approximately 38% of the Shire's operating expenditure.

While it accounts for a significant proportion of reported costs, depreciation is a non-cash item, meaning it does not represent an actual outflow of funds and therefore does not directly impact the Shire's cash flow position. Instead, it reflects the gradual consumption of the economic value of assets over time. Depreciation rates are reviewed regularly to ensure they accurately reflect the useful life of the Shire's assets.

The table below shows the current details of the asset classes and useful lives applied to each of them;

Asset Class	Useful Life
Land & Buildings	50 years
Furniture & Equipment	10 years
Plant & Equipment	7-12 years
Roads - Formation	not depreciated
Roads - Pavement	15-90 years
Roads - Bitumen Seal	20 years
Roads - Asphalt Surfaces	25 years
Footpaths	20 years
Drainage	75 years
Sewerage	100 years
Landfill Assets	5 years

## Financial Reporting

The LTFP and the assumptions and projections used within are supported by a resulting suite of financial statements covering the 10 year period FY26 to FY36.

The financial suite of documents used to support the LTFP includes;

**(a) Statement of Comprehensive Income**

This statement outlines all Council's sources of income, including Capital Grants and contributions and all operating expenses, including depreciation. This statement does not include capital expenditure. The net operating result for each year is calculated as total operating income less total operating expenses. The result is then shown as a surplus or a (deficit) and is a measure of Council's performance.

**(b) Statement of Financial Activity**

This is a forecast summary starting with the operating surplus or (deficit) from each year and adding back depreciation being a non-cash item. The summary considers other funding inflows and outflows to display a net cash result which is then managed via the reserves to ensure that Council maintains appropriate funding levels to support activities.

**(c) Statement of Financial Position**

The Statement of Financial Position details what Council owns (assets) and what it owes (liabilities) at a given point in time. Council's net worth is determined by deducting total liabilities from total assets, which results in Equity.

**(d) Statement of Cash Flows**

The Statement of Cash Flows summarises the actual flows of cash for each year and explains the change in cash balance held from the start of the year to the end of the year. The report shows where Council has received cash from and what it has spent it on.

**(e) Statement of Reserves**

The Statement of Reserves details Council's reserve balances at the start of each year and the end of each year. All reserves are cash backed assets. Reserves are held to provide for future upgrade or provision of new infrastructure and assets.

**(f) Infrastructure Renewal Program**

This a summary of the proposed capital expenditure for existing or proposed new infrastructure throughout the course of the plan. The summary includes depreciation and information relating to the disposal of any assets within each of the asset classifications.

## Statement of Comprehensive Income

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>REVENUE</b>											
Rates	2,695	2,786	2,884	2,985	3,089	3,197	3,309	3,425	3,545	3,669	3,793
Operating Grants & Contributions	3,726	872	3,071	3,194	3,321	3,454	3,592	3,736	3,886	4,041	4,195
Fees & Charges	649	653	702	730	759	789	821	854	888	923	957
Interest on Investments	373	404	244	245	239	216	240	216	225	230	235
Other Revenue	72	75	78	81	84	88	91	95	99	103	107
<b>TOTAL REVENUE</b>	<b>7,515</b>	<b>4,790</b>	<b>6,978</b>	<b>7,234</b>	<b>7,493</b>	<b>7,744</b>	<b>8,053</b>	<b>8,326</b>	<b>8,641</b>	<b>8,966</b>	<b>9,303</b>
<b>EXPENDITURE</b>											
Employee Costs	2,470	2,837	2,951	3,189	3,316	3,549	3,691	3,839	3,992	4,152	4,312
Materials & Contracts	1,274	1,208	1,101	1,145	1,190	1,238	1,288	1,339	1,393	1,448	1,503
Utility charges	202	214	227	241	255	271	287	304	322	342	361
Depreciation	2,843	2,932	3,060	3,181	3,275	3,353	3,441	3,529	3,592	3,654	3,717
Interest expense	10	8	7	5	4	47	84	77	69	61	53
Insurance expense	218	226	235	245	255	265	275	286	298	310	322
Other expenditure	94	97	101	105	109	114	118	123	128	133	138
<b>TOTAL EXPENDITURE</b>	<b>7,111</b>	<b>7,524</b>	<b>7,682</b>	<b>8,110</b>	<b>8,405</b>	<b>8,836</b>	<b>9,185</b>	<b>9,498</b>	<b>9,794</b>	<b>10,100</b>	<b>10,407</b>
Profit on Disposal of Assets	59	0	0	0	0	0	0	0	0	0	0
Loss on Disposal of Assets	(188)	0	0	0	0	0	0	0	0	0	0
Capital Grants & Contributions	2,457	4,139	6,277	3,706	2,360	2,567	2,663	2,335	2,179	2,573	2,868
<b>NET RESULT FOR PERIOD</b>	<b>2,731</b>	<b>1,405</b>	<b>5,573</b>	<b>2,829</b>	<b>1,448</b>	<b>1,474</b>	<b>1,531</b>	<b>1,163</b>	<b>1,026</b>	<b>1,439</b>	<b>1,756</b>
Changes in asset revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL COMPREHENSIVE INCOME FOR PERIOD</b>	<b>2,731</b>	<b>1,405</b>	<b>5,573</b>	<b>2,829</b>	<b>1,448</b>	<b>1,474</b>	<b>1,531</b>	<b>1,163</b>	<b>1,026</b>	<b>1,439</b>	<b>1,756</b>

## Statement of Financial Activity

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening Surplus / (Deficit)</b>	3,393	3,987	0	0	0	0	0	0	0	0	0
<b>Result from Operating Activities</b>	274	(2,734)	(703)	(877)	(912)	(1,092)	(1,132)	(1,172)	(1,153)	(1,134)	(1,124)
<b>Non Cash Amounts excluded from Operating</b>											
(Profit) / Loss on Sale of Assets	130	0	0	0	0	0	0	0	0	0	0
Depreciation	2,843	2,932	3,060	3,181	3,275	3,353	3,441	3,529	3,592	3,654	3,726
Other Adjustments to operating activities	(3)	0	0	0	0	0	0	(576)	(521)	0	0
Non-cash movements in non-current assets and liabilities	6	0	0	0	0	0	0	0	0	0	0
<b>Amount attributable to Operating Activities</b>	<b>2,975</b>	<b>2,932</b>	<b>3,060</b>	<b>3,181</b>	<b>3,275</b>	<b>3,353</b>	<b>3,441</b>	<b>2,953</b>	<b>3,070</b>	<b>3,654</b>	<b>3,726</b>
<b>INVESTING ACTIVITIES</b>											
Purchase of Property, Plant & Equipment	(1,768)	(2,740)	(2,346)	(2,636)	(2,166)	(2,829)	(1,878)	(917)	(1,440)	(1,526)	(1,111)
Purchase of Infrastructure	(3,952)	(5,617)	(6,831)	(4,253)	(3,956)	(4,087)	(4,200)	(3,992)	(3,814)	(4,000)	(4,510)
Capital grants, subsidies and contributions	2,457	4,139	6,277	3,706	2,360	2,567	2,663	2,335	2,179	2,573	2,827
Proceeds from sale of assets	622	467	626	824	894	1,263	618	543	899	683	574
<b>Amount attributable to investing activities</b>	<b>(2,642)</b>	<b>(3,751)</b>	<b>(2,274)</b>	<b>(2,359)</b>	<b>(2,867)</b>	<b>(3,087)</b>	<b>(2,797)</b>	<b>(2,032)</b>	<b>(2,176)</b>	<b>(2,271)</b>	<b>(2,220)</b>
<b>FINANCING ACTIVITIES</b>											
Proceeds from Borrowings	0	0	0	0	0	1,500	0	0	0	0	0
Repayment of Borrowings	(74)	(75)	(76)	(78)	(80)	(81)	(97)	(116)	(124)	(131)	(139)
Transfers from Reserves	657	208	665	804	1,075	620	1,126	620	660	145	25
Transfers to Reserves	(598)	(567)	(671)	(671)	(491)	(1,213)	(541)	(253)	(278)	(263)	(268)
<b>Amount attributable to financing activities</b>	<b>(14)</b>	<b>(434)</b>	<b>(82)</b>	<b>55</b>	<b>504</b>	<b>826</b>	<b>488</b>	<b>251</b>	<b>258</b>	<b>(249)</b>	<b>(382)</b>
<b>Operating Surplus / (Deficit)</b>	<b>3,987</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Statement of Cash Flows

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cashflows from Operating Activities</b>											
Rates	2,714	2,786	2,884	2,985	3,089	3,197	3,309	3,425	3,545	3,669	3,797
Operating Grants & Contributions	4,525	872	3,071	3,194	3,321	3,454	3,592	3,736	3,886	4,041	4,203
Fees & Charges	649	653	702	730	759	789	821	854	888	923	960
Interest Revenue	373	404	244	245	239	216	240	216	225	230	235
Other Revenue	72	75	78	81	84	88	91	95	99	103	107
Employee Costs	(2,487)	(2,837)	(2,951)	(3,189)	(3,316)	(3,549)	(3,691)	(3,839)	(3,992)	(4,152)	(4,318)
Materials & Contracts	(1,384)	(787)	(1,052)	(1,077)	(1,075)	(1,075)	(1,228)	(1,375)	(1,390)	(1,471)	(1,557)
Utility charges	(202)	(214)	(227)	(241)	(255)	(271)	(287)	(304)	(322)	(342)	(362)
Finance costs	(12)	(8)	(7)	(5)	(4)	(47)	(84)	(77)	(69)	(61)	(53)
Insurance paid	(218)	(226)	(235)	(245)	(255)	(265)	(275)	(286)	(298)	(310)	(322)
Other Expenditure	(94)	(97)	(101)	(105)	(109)	(114)	(118)	(123)	(128)	(133)	(138)
Good & Services Tax	5	(415)	(49)	(67)	(115)	(163)	(59)	36	(2)	22	51
<b>Net Cash Provided (or Used) in Operating Activities</b>	<b>3,940</b>	<b>204</b>	<b>2,356</b>	<b>2,304</b>	<b>2,363</b>	<b>2,261</b>	<b>2,309</b>	<b>2,358</b>	<b>2,439</b>	<b>2,520</b>	<b>2,602</b>
<b>Cashflows of Investing Activities</b>											
Proceeds from sale of Property, Plant & Equipment	622	467	626	824	894	1,263	618	543	899	683	574
Capital Grants & Contributions	2,457	4,139	6,277	3,706	2,360	2,567	2,663	2,335	2,179	2,573	2,827
Proceeds / (Payments) for financial assets at amortised cost	5,426	0	0	0	0	0	0	0	0	0	0
Payments for purchase of Property, Plant & Equipment	(1,768)	(2,740)	(2,346)	(2,636)	(2,166)	(2,829)	(1,878)	(917)	(1,440)	(1,526)	(1,111)
Payments for construction of Infrastructure	(3,952)	(5,617)	(6,831)	(4,253)	(3,956)	(4,087)	(4,200)	(3,992)	(3,814)	(4,000)	(4,510)
<b>Net Cash Provided (or Used) in Investing Activities</b>	<b>2,784</b>	<b>(3,751)</b>	<b>(2,274)</b>	<b>(2,359)</b>	<b>(2,867)</b>	<b>(3,087)</b>	<b>(2,797)</b>	<b>(2,032)</b>	<b>(2,176)</b>	<b>(2,271)</b>	<b>(2,220)</b>
<b>Cashflows of Financing Activities</b>											
Proceeds from Borrowings	0	0	0	0	0	1,500	0	0	0	0	0
Repayment of Borrowings	(74)	(75)	(76)	(78)	(80)	(81)	(97)	(116)	(124)	(131)	(139)
<b>Net Cash Provided (or Used) in Financing Activities</b>	<b>(74)</b>	<b>(75)</b>	<b>(76)</b>	<b>(78)</b>	<b>(80)</b>	<b>1,419</b>	<b>(97)</b>	<b>(116)</b>	<b>(124)</b>	<b>(131)</b>	<b>(139)</b>
Net increase (decrease) in cash held	6,651	(3,622)	6	(133)	(584)	593	(585)	209	140	118	243
Cash and cash equivalents at beginning of year	3,081	9,732	6,110	6,116	5,983	5,399	5,993	5,408	5,617	5,757	5,875
<b>Cash and cash equivalents at the end of the year</b>	<b>9,732</b>	<b>6,110</b>	<b>6,116</b>	<b>5,983</b>	<b>5,399</b>	<b>5,993</b>	<b>5,408</b>	<b>5,617</b>	<b>5,757</b>	<b>5,875</b>	<b>6,118</b>

## Statement of Financial Position

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>											
Cash and cash equivalents	9,732	6,110	6,116	5,983	5,399	5,993	5,408	5,617	5,757	5,875	6,118
Rate receivables	30	30	30	30	30	30	30	30	30	30	30
Trade receivables	58	58	58	58	58	58	58	58	58	58	58
Inventories	71	71	71	71	71	71	71	71	71	71	71
<b>Total Current Assets</b>	<b>9,890</b>	<b>6,268</b>	<b>6,275</b>	<b>6,142</b>	<b>5,558</b>	<b>6,151</b>	<b>5,566</b>	<b>5,776</b>	<b>5,915</b>	<b>6,033</b>	<b>6,276</b>
<b>NON-CURRENT ASSETS</b>											
Trade and other receivables	11	11	11	11	11	11	11	11	11	11	11
Other financial assets	80	80	80	80	80	80	80	80	80	80	80
Property, plant and equipment	26,956	28,163	28,754	29,396	29,454	29,776	29,757	28,816	28,031	27,537	26,715
Infrastructure	169,937	173,688	178,587	180,830	182,724	184,702	186,740	188,518	190,066	191,749	193,891
<b>Total Non-Current Assets</b>	<b>196,983</b>	<b>201,942</b>	<b>207,433</b>	<b>210,317</b>	<b>212,269</b>	<b>214,569</b>	<b>216,588</b>	<b>217,425</b>	<b>218,188</b>	<b>219,377</b>	<b>220,698</b>
<b>TOTAL ASSETS</b>	<b>206,874</b>	<b>208,211</b>	<b>213,707</b>	<b>216,459</b>	<b>217,827</b>	<b>220,720</b>	<b>222,154</b>	<b>223,201</b>	<b>224,103</b>	<b>225,410</b>	<b>226,973</b>
<b>CURRENT LIABILITIES</b>											
Trade and other payables	294	300	300	300	300	300	300	300	300	300	300
Borrowings	75	76	78	80	81	97	116	124	131	139	148
Employee related provisions	243	243	243	243	243	243	243	243	243	243	243
<b>Total Current Liabilities</b>	<b>611</b>	<b>619</b>	<b>620</b>	<b>622</b>	<b>624</b>	<b>639</b>	<b>659</b>	<b>666</b>	<b>674</b>	<b>682</b>	<b>690</b>
<b>NON-CURRENT LIABILITIES</b>											
Borrowings	356	280	202	122	41	1,444	1,328	1,204	1,073	934	786
Employee related provisions	69	69	69	69	69	69	69	69	69	69	69
Other provisions	60	60	60	60	60	60	60	60	60	60	60
<b>Total Non-Current Liabilities</b>	<b>486</b>	<b>409</b>	<b>331</b>	<b>252</b>	<b>170</b>	<b>1,574</b>	<b>1,457</b>	<b>1,333</b>	<b>1,202</b>	<b>1,063</b>	<b>915</b>
<b>TOTAL LIABILITIES</b>	<b>1,097</b>	<b>1,028</b>	<b>952</b>	<b>874</b>	<b>794</b>	<b>2,213</b>	<b>2,116</b>	<b>2,000</b>	<b>1,876</b>	<b>1,745</b>	<b>1,605</b>
<b>NET ASSETS</b>	<b>205,777</b>	<b>207,182</b>	<b>212,756</b>	<b>215,585</b>	<b>217,033</b>	<b>218,507</b>	<b>220,038</b>	<b>221,201</b>	<b>222,227</b>	<b>223,666</b>	<b>225,368</b>
<b>EQUITY</b>											
Retained surplus	44,868	45,915	51,482	54,444	56,476	57,357	59,472	61,002	62,410	63,731	65,190
Reserve accounts	5,366	5,725	5,731	5,598	5,014	5,607	5,022	4,655	4,274	4,392	4,634
Revaluation surplus	155,543	155,543	155,543	155,543	155,543	155,543	155,543	155,543	155,543	155,543	155,543
<b>TOTAL EQUITY</b>	<b>205,777</b>	<b>207,182</b>	<b>212,756</b>	<b>215,585</b>	<b>217,033</b>	<b>218,507</b>	<b>220,038</b>	<b>221,201</b>	<b>222,227</b>	<b>223,666</b>	<b>225,368</b>

## Statement of Reserves

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>LEAVE RESERVE</b>											
Opening Balance	181	211	220	228	237	247	257	267	228	237	246
Transfer to Reserve	30	8	9	9	9	10	10	11	9	9	10
Transfer from Reserve	0	0	0	0	0	0	0	(50)	0	0	0
<b>Balance at 30 June</b>	<b>211</b>	<b>220</b>	<b>228</b>	<b>237</b>	<b>247</b>	<b>257</b>	<b>267</b>	<b>228</b>	<b>237</b>	<b>246</b>	<b>256</b>
<b>PLANT RESERVE</b>											
Opening Balance	1,221	886	1,132	977	816	899	385	550	482	551	623
Transfer to Reserve	50	245	95	89	83	86	165	32	69	72	75
Transfer from Reserve	(385)	0	(250)	(250)	0	(600)	0	(100)	0	0	0
<b>Balance at 30 June</b>	<b>886</b>	<b>1,132</b>	<b>977</b>	<b>816</b>	<b>899</b>	<b>385</b>	<b>550</b>	<b>482</b>	<b>551</b>	<b>623</b>	<b>698</b>
<b>LAND &amp; BUILDING RESERVE</b>											
Opening Balance	1,605	1,555	1,617	1,431	1,239	1,038	1,280	380	295	277	288
Transfer to Reserve	210	62	65	57	50	242	51	15	12	11	12
Transfer from Reserve	(260)	0	(250)	(250)	(250)	0	(951)	(100)	(30)	0	0
<b>Balance at 30 June</b>	<b>1,555</b>	<b>1,617</b>	<b>1,431</b>	<b>1,239</b>	<b>1,038</b>	<b>1,280</b>	<b>380</b>	<b>295</b>	<b>277</b>	<b>288</b>	<b>299</b>
<b>SEWERAGE RESERVE</b>											
Opening Balance	624	654	680	832	991	630	1,201	1,249	1,299	1,351	1,405
Transfer to Reserve	30	26	152	158	40	571	48	50	52	54	56
Transfer from Reserve	0	0	0	0	(400)	0	0	0	0	0	0
<b>Balance at 30 June</b>	<b>654</b>	<b>680</b>	<b>832</b>	<b>991</b>	<b>630</b>	<b>1,201</b>	<b>1,249</b>	<b>1,299</b>	<b>1,351</b>	<b>1,405</b>	<b>1,461</b>
<b>NYABING RECREATION RESERVE</b>											
Opening Balance	148	184	197	211	225	240	256	272	239	255	271
Transfer to Reserve	36	13	14	14	15	16	16	17	16	16	17
Transfer from Reserve	0	0	0	0	0	0	0	(50)	0	0	0
<b>Balance at 30 June</b>	<b>184</b>	<b>197</b>	<b>211</b>	<b>225</b>	<b>240</b>	<b>256</b>	<b>272</b>	<b>239</b>	<b>255</b>	<b>271</b>	<b>288</b>

Statement of Reserves (continued)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>PINGRUP RECREATION RESERVE</b>											
Opening Balance	51	57	65	74	83	92	102	112	122	133	145
Transfer to Reserve	6	8	9	9	9	10	10	10	11	11	12
Transfer from Reserve	0	0	0	0	0	0	0	0	0	0	0
<b>Balance at 30 June</b>	<b>57</b>	<b>65</b>	<b>74</b>	<b>83</b>	<b>92</b>	<b>102</b>	<b>112</b>	<b>122</b>	<b>133</b>	<b>145</b>	<b>156</b>
<b>WATER PROVISION RESERVE</b>											
Opening Balance	109	148	154	160	166	173	180	187	195	152	159
Transfer to Reserve	38	6	6	6	7	7	7	7	8	6	6
Transfer from Reserve	0	0	0	0	0	0	0	0	(50)	0	0
<b>Balance at 30 June</b>	<b>148</b>	<b>154</b>	<b>160</b>	<b>166</b>	<b>173</b>	<b>180</b>	<b>187</b>	<b>195</b>	<b>152</b>	<b>159</b>	<b>165</b>
<b>CEMETERY RESERVE</b>											
Opening Balance	52	52	54	56	59	61	63	66	69	71	99
Transfer to Reserve	0	2	2	2	2	2	3	3	3	3	4
Transfer from Reserve	0	0	0	0	0	0	0	0	0	25	0
<b>Balance at 30 June</b>	<b>52</b>	<b>54</b>	<b>56</b>	<b>59</b>	<b>61</b>	<b>63</b>	<b>66</b>	<b>69</b>	<b>71</b>	<b>99</b>	<b>103</b>
<b>REFUSE DISPOSAL FACILITY RESERVE</b>											
Opening Balance	248	258	268	404	545	692	895	1,056	798	430	147
Transfer to Reserve	10	10	136	141	147	203	161	42	32	17	6
Transfer from Reserve	0	0	0	0	0	0	0	(300)	(400)	(300)	0
<b>Balance at 30 June</b>	<b>258</b>	<b>268</b>	<b>404</b>	<b>545</b>	<b>692</b>	<b>895</b>	<b>1,056</b>	<b>798</b>	<b>430</b>	<b>147</b>	<b>153</b>

## Statement of Reserves (continued)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ADMIN VEHICLE RESERVE</b>											
Opening Balance	45	122	137	148	164	175	192	205	223	237	257
Transfer to Reserve	90	35	35	36	37	37	38	38	39	39	40
Transfer from Reserve	(12)	(20)	(25)	(20)	(25)	(20)	(25)	(20)	(25)	(20)	(25)
<b>Balance at 30 June</b>	<b>122</b>	<b>137</b>	<b>148</b>	<b>164</b>	<b>175</b>	<b>192</b>	<b>205</b>	<b>223</b>	<b>237</b>	<b>257</b>	<b>272</b>
<b>ROAD RESERVE</b>											
Opening Balance	1,039	1,111	968	867	617	642	667	544	566	489	658
Transfer to Reserve	73	44	39	35	25	26	27	22	23	20	26
Transfer from Reserve	0	(188)	(140)	(284)	0	0	(150)	0	(100)	150	0
<b>Balance at 30 June</b>	<b>1,111</b>	<b>968</b>	<b>867</b>	<b>617</b>	<b>642</b>	<b>667</b>	<b>544</b>	<b>566</b>	<b>489</b>	<b>658</b>	<b>684</b>
<b>IT HARDWARE &amp; SOFTWARE RESERVE</b>											
Opening Balance	102	127	233	342	456	124	129	134	140	90	94
Transfer to Reserve	25	105	109	114	69	5	5	5	6	4	4
Transfer from Reserve	0	0	0	0	(400)	0	0	0	(55)	0	0
<b>Balance at 30 June</b>	<b>127</b>	<b>233</b>	<b>342</b>	<b>456</b>	<b>124</b>	<b>129</b>	<b>134</b>	<b>140</b>	<b>90</b>	<b>94</b>	<b>98</b>
<b>TOTAL RESERVES</b>											
Opening Balance	5,426	5,366	5,725	5,731	5,598	5,014	5,607	5,022	4,655	4,274	4,392
Transfer to Reserve	598	567	671	671	491	1,213	541	253	278	263	268
Transfer from Reserve	(657)	(208)	(665)	(804)	(1,075)	(620)	(1,126)	(620)	(660)	(145)	(25)
<b>TOTAL RESERVES AT 30 JUNE</b>	<b>5,366</b>	<b>5,725</b>	<b>5,731</b>	<b>5,598</b>	<b>5,014</b>	<b>5,607</b>	<b>5,022</b>	<b>4,655</b>	<b>4,274</b>	<b>4,392</b>	<b>4,634</b>

## Infrastructure Renewal Program

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>											
Opening Balance	29,063	30,079	32,197	33,708	35,245	35,919	37,148	38,285	38,479	38,720	39,335
Accumulated Depreciation	(2,071)	(3,124)	(4,034)	(4,953)	(5,849)	(6,465)	(7,372)	(8,529)	(9,663)	(10,689)	(11,798)
<b>Sub-total</b>	<b>26,992</b>	<b>26,956</b>	<b>28,163</b>	<b>28,754</b>	<b>29,396</b>	<b>29,454</b>	<b>29,776</b>	<b>29,757</b>	<b>28,816</b>	<b>28,031</b>	<b>27,537</b>
<b>Asset Revaluations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transfers</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Acquisitions</b>											
- Capital New	349	851	100	100	100	1,300	1,200	0	0	0	0
- Capital Renewal	1,419	1,889	2,246	2,536	2,066	1,529	678	917	1,440	1,526	1,111
Disposal	(741)	(623)	(835)	(1,099)	(1,492)	(1,600)	(740)	(724)	(1,199)	(911)	(765)
Depreciation	(1,053)	(910)	(920)	(895)	(616)	(906)	(1,157)	(1,135)	(1,026)	(1,109)	(1,167)
<b>Sub-total</b>	<b>26,966</b>	<b>28,163</b>	<b>28,754</b>	<b>29,396</b>	<b>29,454</b>	<b>29,776</b>	<b>29,757</b>	<b>28,816</b>	<b>28,031</b>	<b>27,537</b>	<b>26,715</b>
Proceeds from Sale of PPE	622	467	626	824	894	1,263	618	543	899	683	574
Book Value of PPE Disposed	751	467	626	824	894	1,263	618	543	899	683	574
<b>Profit / (Loss) on PPE</b>	<b>(130)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INFRASTRUCTURE</b>											
Opening Balance	168,762	172,715	178,332	185,163	189,416	193,372	197,458	201,658	205,650	209,464	213,465
Accumulated Depreciation	(988)	(2,778)	(4,645)	(6,576)	(8,586)	(10,647)	(12,757)	(14,918)	(17,132)	(19,398)	(21,715)
<b>Sub-total</b>	<b>167,775</b>	<b>169,937</b>	<b>173,688</b>	<b>178,587</b>	<b>180,830</b>	<b>182,724</b>	<b>184,702</b>	<b>186,740</b>	<b>188,518</b>	<b>190,066</b>	<b>191,749</b>
<b>Asset Revaluations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Acquisitions</b>											
- Capital New	0	0	0	0	0	0	0	0	0	0	0
- Capital Renewal	3,952	5,617	6,831	4,253	3,956	4,087	4,200	3,992	3,814	4,000	4,510
Depreciation	(1,791)	(1,866)	(1,931)	(2,011)	(2,061)	(2,109)	(2,161)	(2,214)	(2,266)	(2,317)	(2,368)
<b>Sub-total</b>	<b>169,937</b>	<b>173,688</b>	<b>178,587</b>	<b>180,830</b>	<b>182,724</b>	<b>184,702</b>	<b>186,740</b>	<b>188,518</b>	<b>190,066</b>	<b>191,749</b>	<b>193,891</b>
<b>TOTAL NET ASSETS</b>	<b>196,902</b>	<b>201,851</b>	<b>207,342</b>	<b>210,226</b>	<b>212,178</b>	<b>214,478</b>	<b>216,497</b>	<b>217,334</b>	<b>218,097</b>	<b>219,286</b>	<b>220,607</b>

## Sensitivity Analysis

The following analysis examines the potential financial impacts of applying different escalation rates to the Shire's key revenue and expenditure streams over the 10-year life of the LTFP. This analysis is designed to test the resilience of the Shire's financial projections under varying economic conditions, and to identify the potential risks associated with external cost pressures and revenue fluctuations.

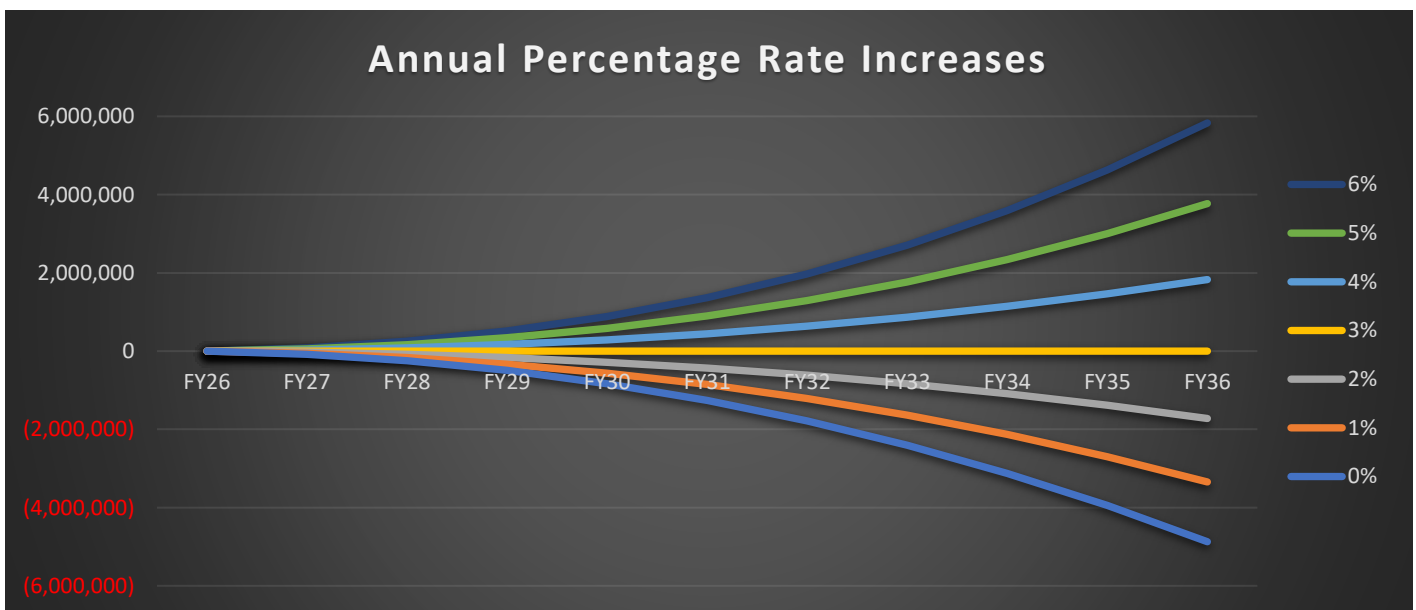
The external benchmarks used in the modelling include the CPI for March 2026 as published by the Australian Bureau of Statistics, the Perth Wage Price Index for March 2026, and the Reserve Bank of Australia (RBA) 10-year bond rate for period ended April 2026. These indicators provide a realistic basis for assessing likely movements in operating costs, wage growth, and the cost of capital over the planning horizon.

By modelling a range of escalation scenarios for rates revenue, employee costs, and materials and contracts expenditure, the analysis highlights both the opportunities for cost containment and the risks of increased financial pressure. The outcomes guide the selection of prudent escalation rates for inclusion in the LTFP and provide a framework for annual review to ensure assumptions remain aligned with prevailing economic conditions.

## Rates

The sensitivity analysis undertaken for the LTFP examined a range of scenarios to assess the revenue impacts of different annual rate increases over the 10-year period.

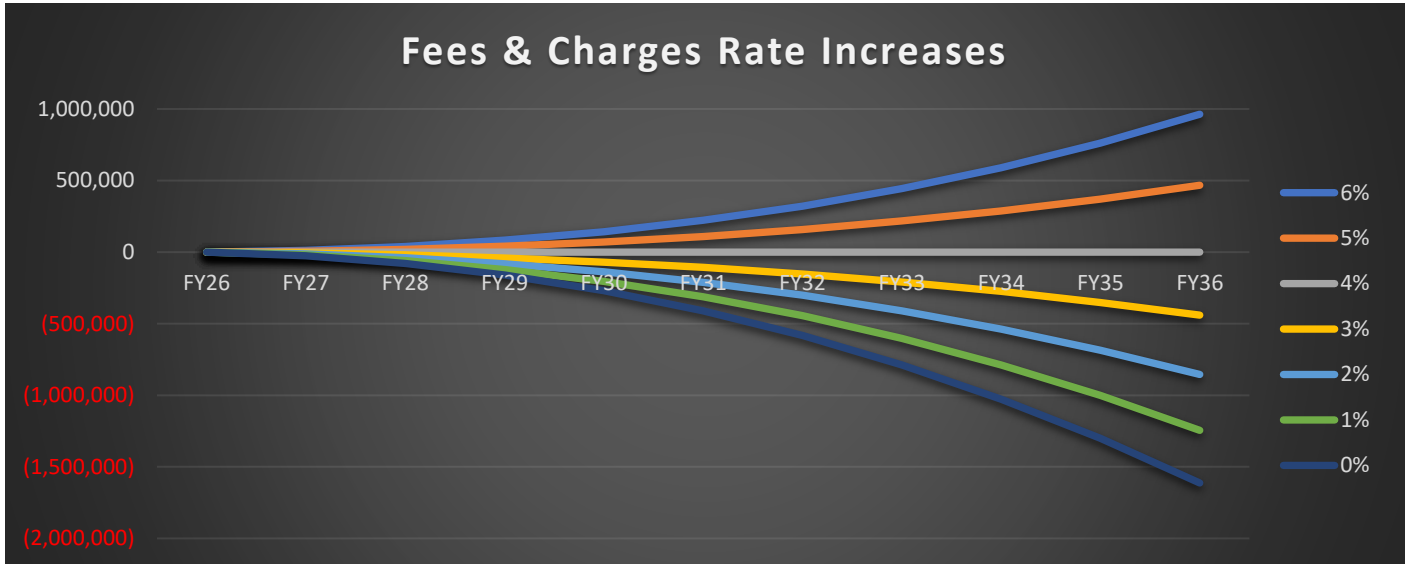
The draft LTFP applies a 3.5% annual increase in rate revenue, compared to the Reserve Bank of Australia's 10-year bond rate of 4.97% at April 2026. The modelling indicates that maintaining rates at current levels with no annual increase would result in a cumulative revenue loss of \$4.87 million over the 10 years, while applying a 6% annual increase would generate an additional \$5.83 million in rates revenue over the same period. The Shire considers the 3.5% escalation to be a sustainable and balanced approach, but notes that all underlying assumptions will be reviewed annually as part of the budget and rating review process.



## Fees and Charges

The draft LTFP applies a 4% annual increase in line with CPI rate increases. This can be compared to the Reserve Bank of Australia's 10-year bond rate which is 4.97% at April 2026. The modelling indicates that maintaining fees and charges at current levels with no annual increase would result in a cumulative revenue loss of \$1.61 million over the 10 years, while applying a 6% annual increase would generate an additional \$0.96 million in fees and charges revenue over the same period.

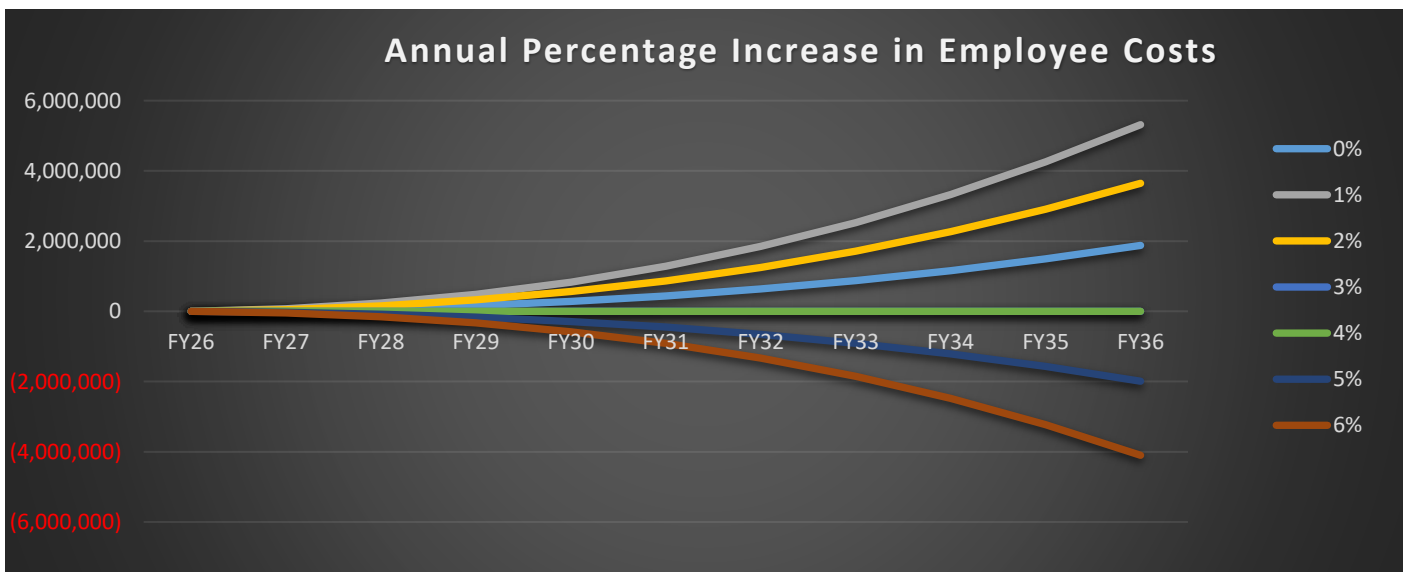
The Shire considers the proposed increases to be a sustainable and balanced approach, but notes that all underlying assumptions will be reviewed annually as part of the budget process.



## Employee Costs

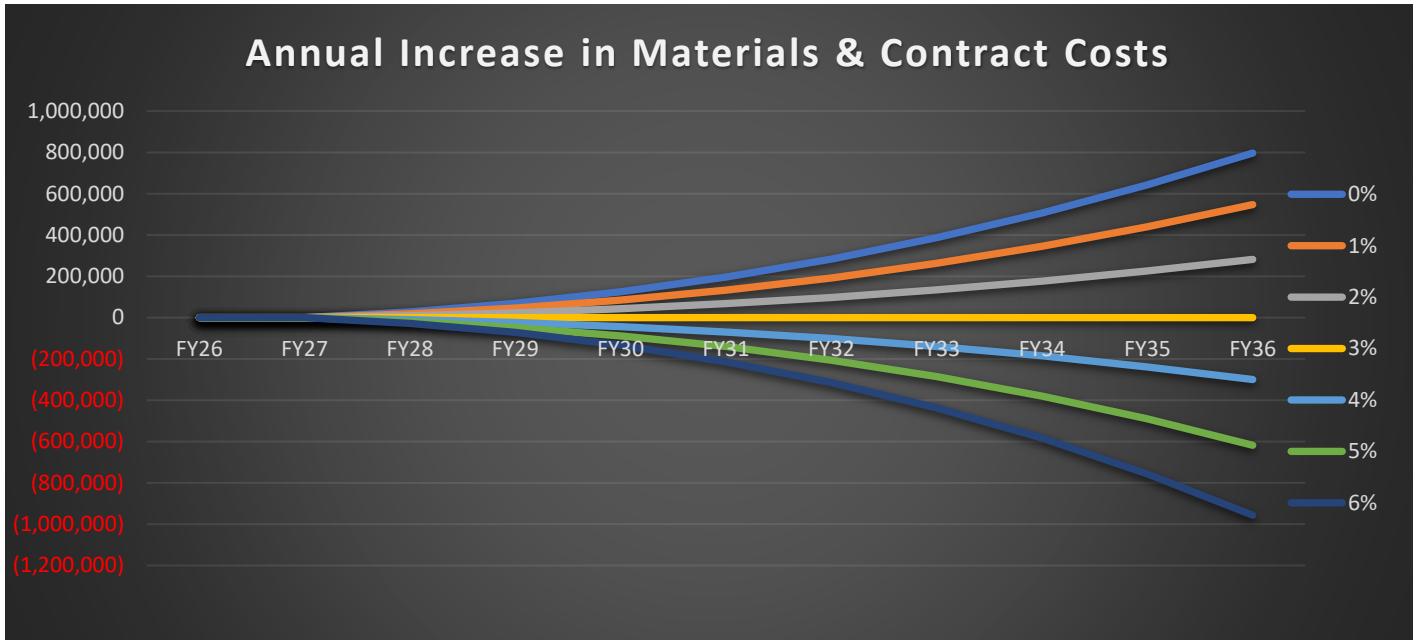
The sensitivity analysis undertaken for the draft LTFP examined various scenarios to assess the cost impacts of different rate increases for employee costs over the 10-year period. The draft LTFP applies a 4% annual increase for employee costs, compared to the current WA Wage Price Index of 3.6% for the 12 months to March 2026. While this index is lower than the current CPI rate of 4.6%, it does not account for the fact that Shire salaries are already significantly above the minimum wage due to the Shire's location and staff availability to which the index is often applied.

The analysis indicates that maintaining employee costs at current levels with no annual increase would result in total savings of \$6.89 million over the 10 years, while applying a 6% annual increase would add \$4.10 million in additional costs over the same period. Based on these findings, the Shire considers the 4% rate applied in the LTFP to be appropriate at this stage, with the understanding that this assumption will be reviewed annually as part of the LTFP update process.



## Materials and Contracts

The draft LTFP applies an annual escalation of 4% for these costs, compared to the Perth Consumer Price Index (CPI) of 4.6% for the 12 months to March 2026. The modelling shows that maintaining materials and contract costs at current levels with no annual increase would generate total savings of \$0.80 million over the 10 years, while applying a 6% annual increase would add \$0.96 million in additional costs over the same period. Based on this analysis, the Shire considers the proposed escalations to be appropriate at present. However, all cost assumptions will be reviewed and adjusted annually as part of the LTFP update process.



## Financial Ratios

The Shire of Kent recognises that compliance with the legislated ratios is an important focus within this plan. However, these prescribed measures do not entirely reflect the Shire's services provided to the community. As such, supplementary performance measures for the Shire's performance will be outlined in detail in the Corporate Business Plan.

In November 2024, the now Department of Local Government, Industry Regulation & Safety (LGIRS), announced that the new LGFI would replace the previous Financial Health Indicator (FHI) used on the MyCouncil website and a 2 year trial of the LGFI was endorsed by the Minister for Local Government.

The new LGFI consists of four ratios:

- Debt Services Cover Ratio
- Current Ratio
- Operating Surplus Ratio
- Net Financial Liability Ratio

While it is accepted there may be some shortfalls within the ratios that calculate the LGFI, in the absence of any other models the LGFI has been used to assess the Shire's financial performance.

The graphs below detail the ten year trend for the recommended ratios as shown in the Long Term Financial Plan. Each ratio tends positively over the ten year period.

### Current Ratio

#### Purpose

Measures the Shire's capacity to meet its short-term financial obligations using its current assets. It is an indicator of liquidity and financial resilience, providing an assessment of whether sufficient resources are available to fund ongoing operations and meet liabilities as they fall due.

#### Definition

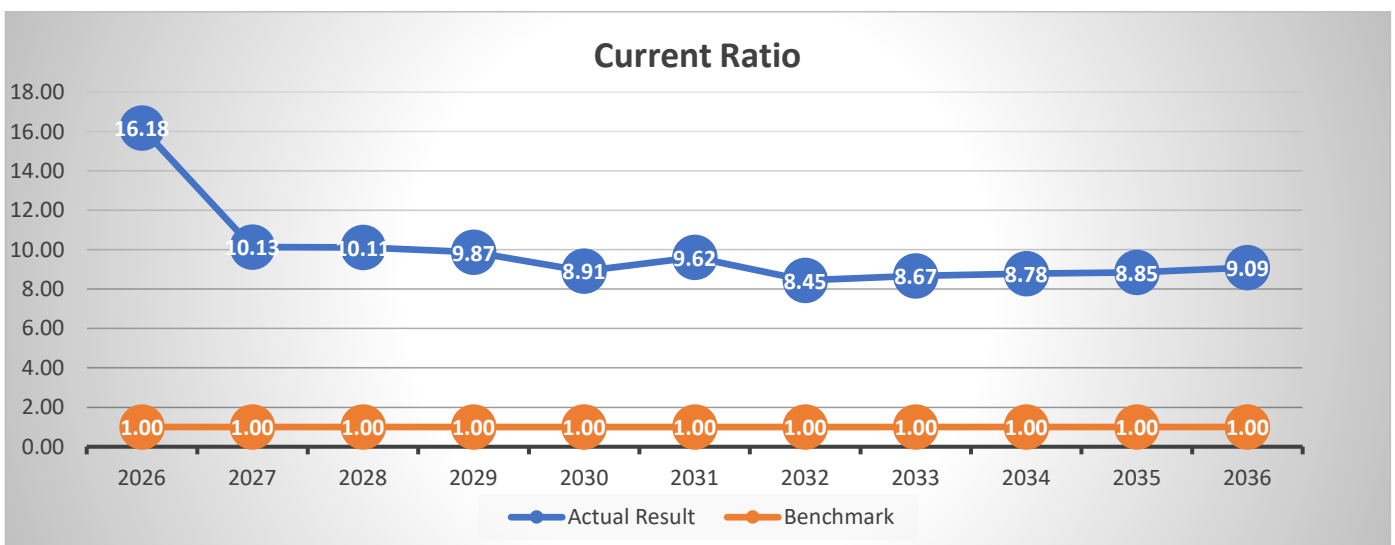
Current Assets  
Current Liabilities

#### Comments

The standard is not met if the ratio is less than 1.00. A ratio above 1.0 generally indicates that current assets exceed current liabilities, reflecting a sound short-term financial position.

It is a concern if the current ratio remains below the industry standard of 1.00 for any extended period.

The ratio is well above the Benchmark for all years due to the high level of cash reserves shown throughout the plan.



## Operating Surplus Ratio

### Purpose

A measure of the local government's ability to fund its operating costs from operating revenue and generate a surplus that can be used to support capital works, asset renewal, debt reduction, and other strategic priorities.

### Definition

Two components are used in calculating the ratio.

These being the Numerator which is then divided by the Denominator. The two components are calculated as follows;

### **Numerator**

Operating Revenue

Less: Current Year Financial Assistance Grants

Plus: Prior Year Financial Assistance Grants

Plus: Grants, contributions for asset renewal

Less: Operating Expenses

**= Adjusted Operating Surplus**

### **Denominator**

Operating Revenue

Less: Current Year Financial Assistance Grants

Plus: Prior Year Financial Assistance Grants

Plus: Grants and contributions received for asset renewal

**= Adjusted Operating Revenue**

### Adjusted Operating Surplus

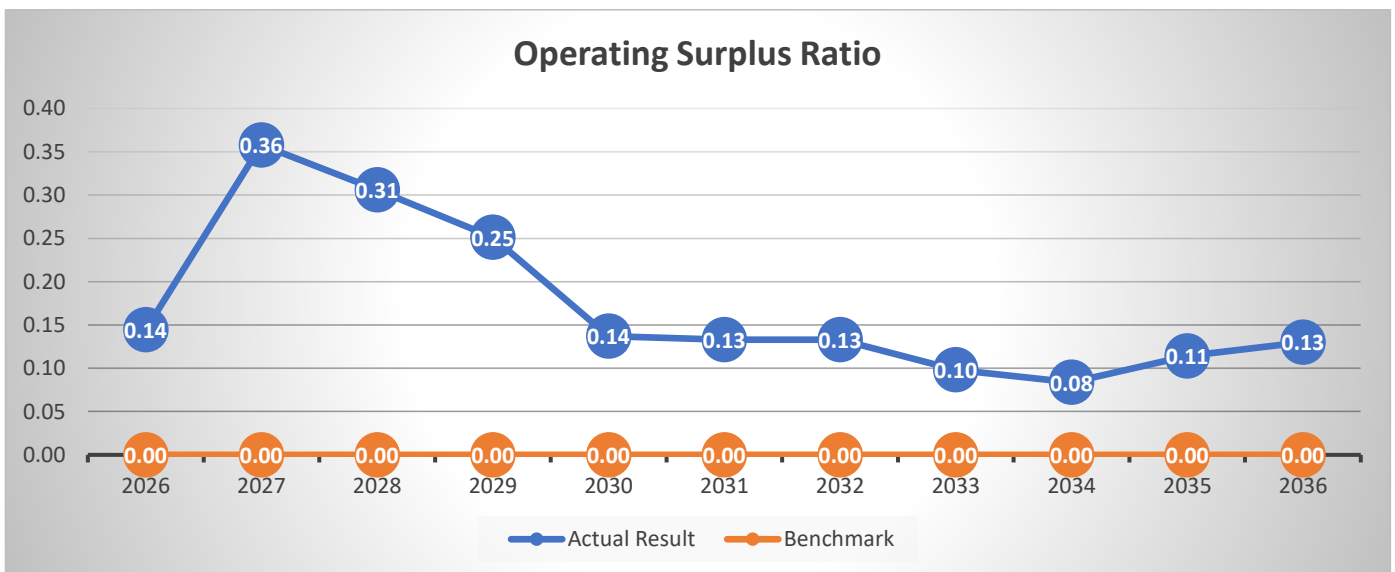
Adjusted Operating Revenue

### Comments

This is usually a Shire's most difficult ratio to achieve by simple virtue of the capacity to raise rates and/or generate other revenue streams. The Operating Surplus Ratio currently contributes towards 40% of the Local Government Financial Indicator (LGFI). Therefore, the ability to meet the Benchmark goes a long way to reporting a high LGFI score.

The benchmark for this ratio is 0.00, with a score over 0.15 considered to be the optimum level to be achieved.

The ratio is above the recommended benchmark for the duration of the LTFP and spikes in FY27-FY29 primarily as a result of funding shown for the Nyabing Sports Pavilion and other Capital Works projects.



## Debt Service Coverage Ratio

### Purpose

A measure of the local government's ability to meet its debt servicing obligations from its available operating cash flows. The ratio compares the cash generated from operations to the total principal and interest repayments due, providing an indication of the Shire's capacity to service existing debt commitments without placing undue pressure on its financial position.

### Definition

Two components are used in calculating the ratio.

These being the Numerator which is then divided by the Denominator. The two components are calculated as follows;

### **Numerator**

Operating Revenue  
Less: Current Year Financial Assistance Grants  
Plus: Prior Year Financial Assistance Grants  
Less: Operating Expenses  
Add: Depreciation  
Add: Finance Costs  
**= Adjusted Operating Surplus**

### **Denominator**

Finance Costs  
Plus: Repayment of Borrowings  
Less: Debt Refinancing  
**= Debt Service Costs**

### Adjusted Operating Surplus

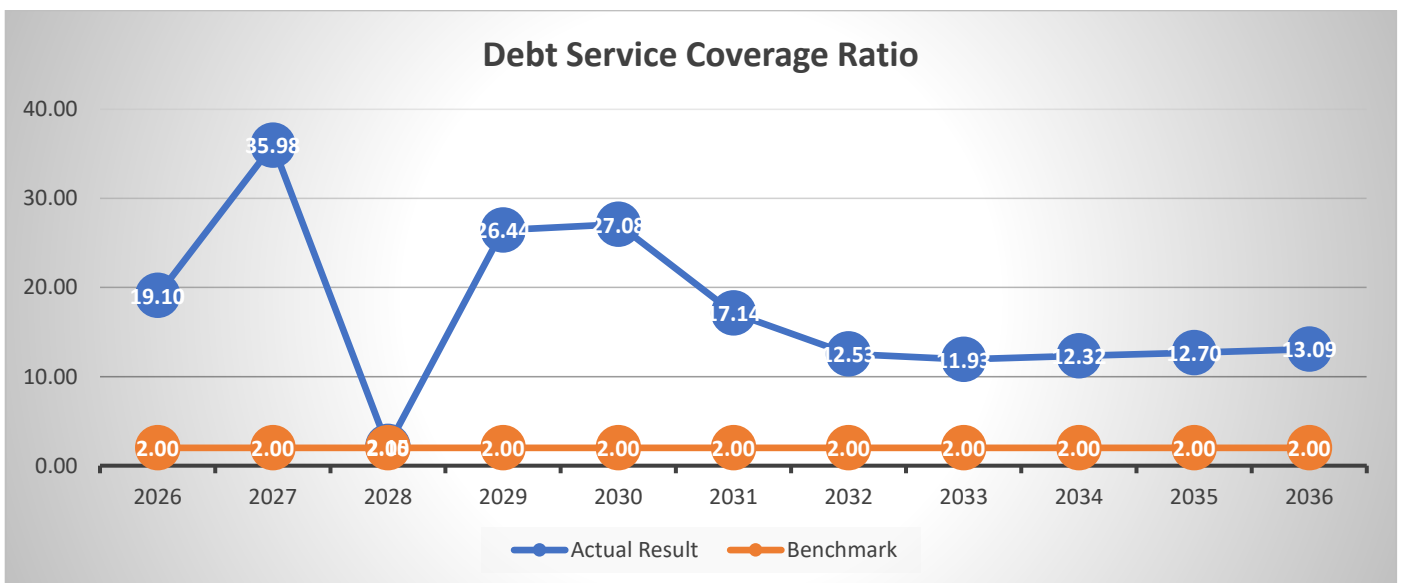
Debt Service Costs

### Comments

The Benchmark for this ratio is 2.00 or above.

The dip in FY28 is a direct result of the 2026/27 Financial Assistance advance payment.

The benchmark is achieved in all years throughout the LTFP, reflecting the Shire's relatively low levels of debt and strong cash and cash equivalent position. This is a positive outcome given the Plan includes provision for \$1.5 million in new borrowings in FY31 to assist with the funding of new housing development.



## Net Financial Liabilities Ratio

### Purpose

A measure of the local government's net financial obligations relative to its operating revenue. The ratio assesses the extent to which the Shire's liabilities exceed its financial assets and provides an indication of its long-term financial sustainability and capacity to meet current and future financial commitments.

### Definition

Two components are used in calculating the ratio.

These being the Numerator which is then divided by the Denominator. The two components are calculated as follows;

### **Numerator**

Total Liabilities

Less: Current Cash & Cash Equivalents

Less: Current Trade & Other Receivables

Less: Current Other Financial Assets

Less: Non-Current Trade & Other Receivables

Less: Non-Current Other Financial Assets

**= Net Financial Liabilities**

### **Denominator**

Operating Revenue

Less: Current Year Financial Assistance Grants

Plus: Prior Year Financial Assistance Grants

**= Adjusted Operating Surplus**

Net Financial Liabilities

Adjusted Operating Revenue

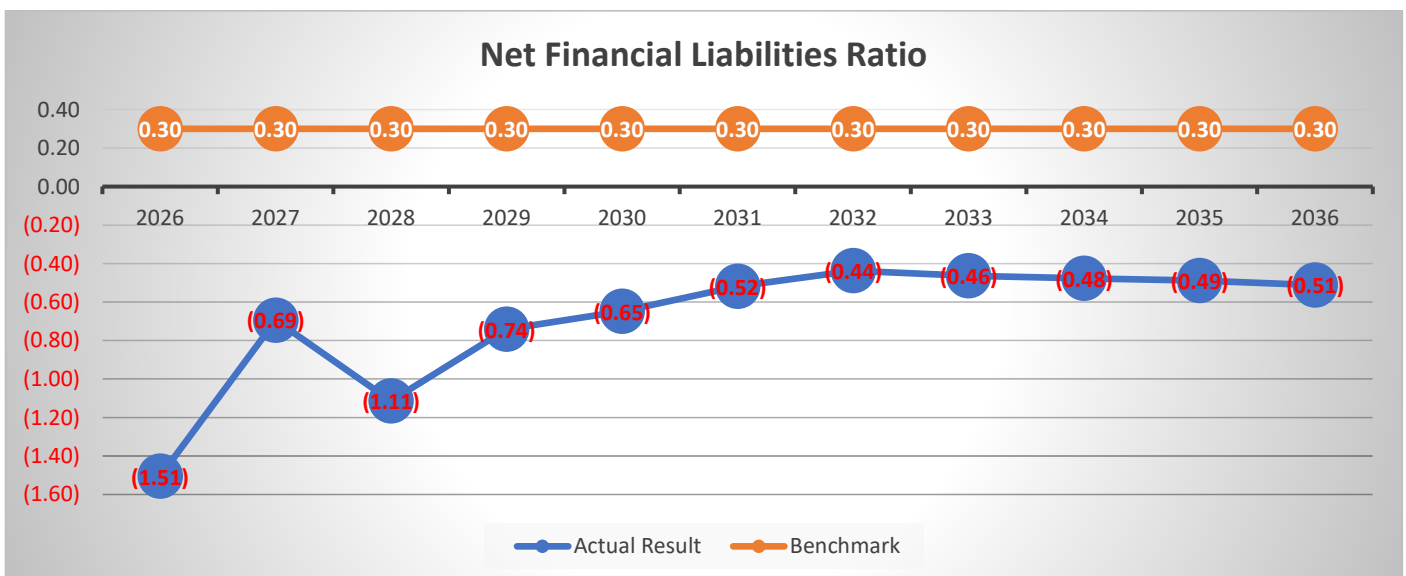
### Comments

This is the new addition to the ratio calculations for the LGFI. Essentially this ratio is replacing the 3 asset ratios previously used in the calculation of the previously used Financial Health Indicator.

The Benchmark for this ratio is 0.30 and it contributes 30% towards the total ratio calculation.

While it may seem strange, a negative result is a good indicator of a solid Net Financial Liabilities Ratio.

This is because by virtue of the calculation of the Numerator any surplus cash, cash equivalents or other receivables are deducted from the total amount of liabilities. Therefore, the less debt and more cash an organisation has, the lower the Numerator, and this will result in a negative Net Financial Liability, which will automatically flow through to reporting a negative result. The Shire remains well above the benchmark throughout all years of the LTFP, primarily due to the Shire's relatively low debt servicing commitments together with strong cash and cash equivalent balances.



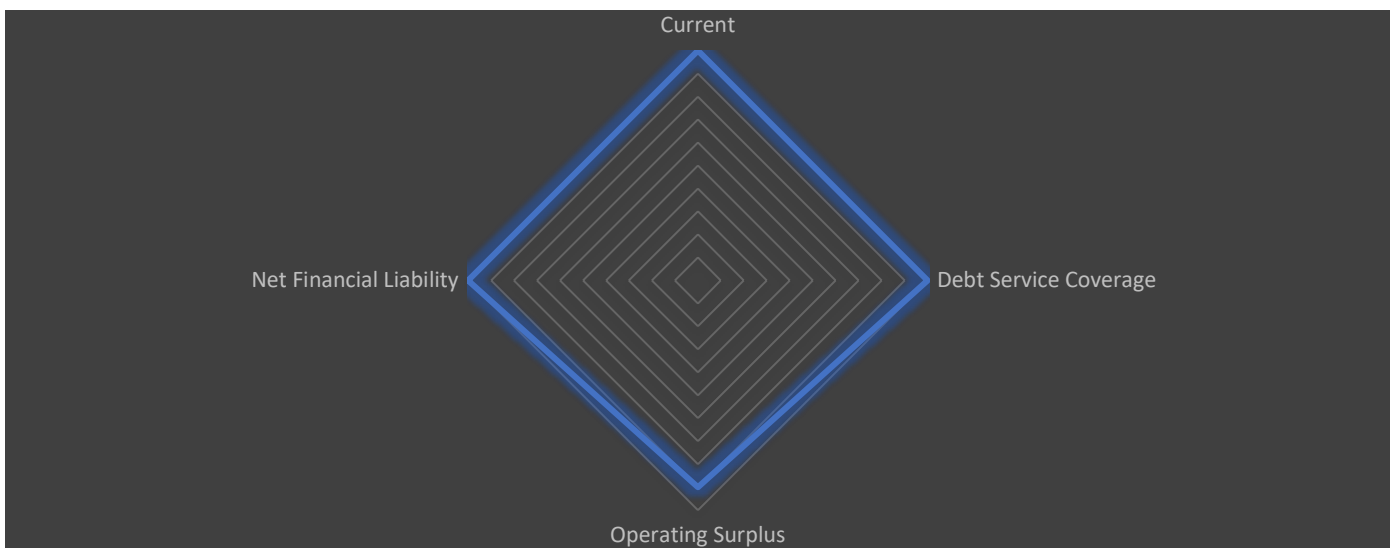
## Local Government Financial Indicator

In November 2024, the Department of Local Government, Sport and Cultural Industries (now Department of Local Government, Industry Regulation & Safety) announced the introduction of a new tool for the measurement of a local government's overall financial health. The Local Government Financial Index (LGFI) will be trialled for a 2 year period and consists of only four ratios – Debt Services Ratio, Current Ratio, Operating Surplus Ratio and a newly implemented Net Financial Liability Ratio.

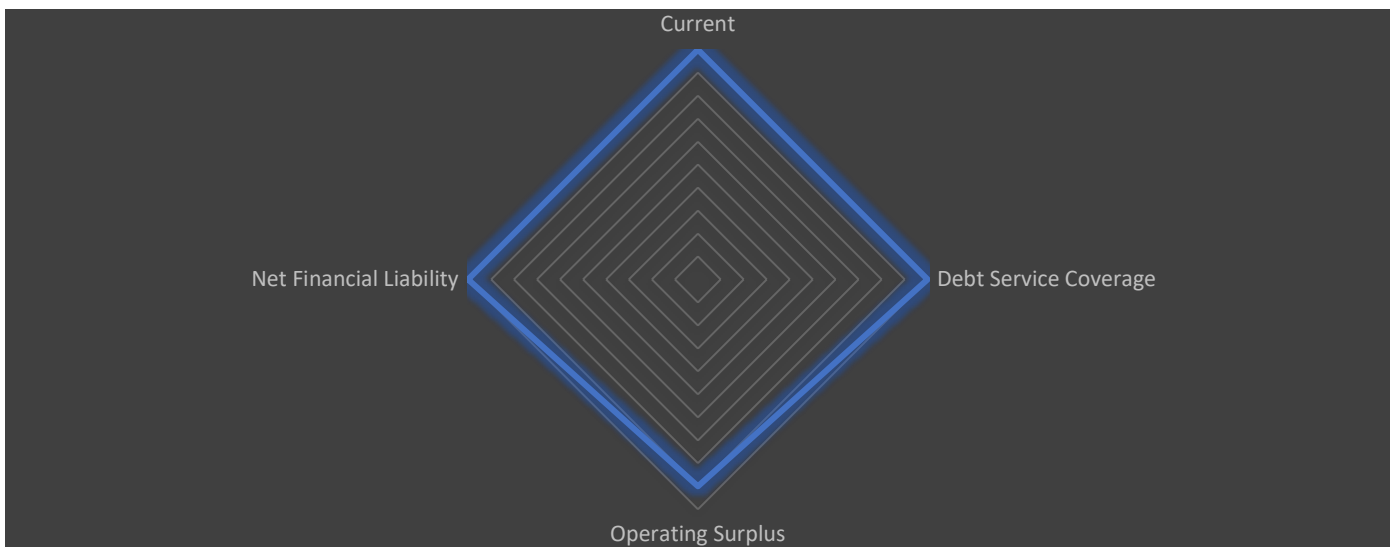
Unlike the Financial Health Indicator (FHI), the LGFI does not attempt to assess the financial sustainability of the local government. That is, there is not the same level of focus on the Shire's financial capacity to fund maintenance and asset renewal as infrastructure reaches the end of useful life. As was the case with the FHI, a result of 70 and above with the LGFI indicates solid financial health and the maximum result achievable is 100.

The LGFI is one factor to consider in assessing overall performance. Other factors include: the range of services offered; efficiency of services delivered; and community satisfaction. A low LGFI may be a prompt for questions to be asked by the community about a local government's revenue, expenses and service delivery. The LGFI is best viewed as a trend over time.

**2026 LGFI Rating 96**



**2036 LGFI Rating 100**



## Review of Long Term Financial Plan

The LTFP is a dynamic document that requires regular monitoring and review to ensure its continued relevance, accuracy, and alignment with the Shire of Kent's strategic priorities and financial capacity. As with all forward projections, the LTFP is based on a series of assumptions regarding revenue, expenditure, service levels, and external funding. Given the potential for changes in these assumptions, it is critical that the LTFP is reviewed systematically and updated as required.

### Annual Review and Integration with Budget Process

The LTFP will be reviewed and updated annually in conjunction with the preparation of the Annual Budget. This ensures that the plan reflects the most current financial data, including updated revenue forecasts, expenditure trends, grant allocations, debt obligations, and capital works priorities. Each annual review also provides the opportunity to incorporate any changes made to the Corporate Business Plan (CBP) or other components of the Integrated Planning and Reporting Framework.

The annual review process is designed to:

- Ensure financial projections remain aligned with Council's updated strategic objectives, operational priorities and service delivery requirements.
- Reassess key financial assumptions including CPI, interest rates, grant funding, construction costs and broader economic conditions.
- Incorporate significant changes in external influences, including fluctuations in agricultural conditions, government funding programs, economic conditions and legislative or regulatory requirement.
- Confirm that projects included within the capital works program remain financially achievable, appropriately prioritised and consistent with the Shire's long-term financial capacity.
- Provide transparency and confidence to Council and the community by demonstrating that financial resources are being managed in a prudent, sustainable and responsible manner.

### Projections and Assumptions

As with all forward looking documents, the financial projections in the LTFP are estimates only, particularly in the latter years of the plan where the degree of uncertainty increases. However, the fundamental financial goals of Council remain constant:

- Maintain long-term financial sustainability through prudent financial management and informed decision-making.
- Ensure adequate funding is allocated to reserves and unrestricted cash balances to support future operational and infrastructure requirements.
- Support the ongoing delivery of operational services, asset renewal and strategic capital projects in line with community priorities.  
Maintain responsible and sustainable debt levels that are appropriate to the Shire's financial capacity and long-term objectives.

The entirety of the plan has been prepared on the basis of a balanced budget. Where surplus budgets occur, Council intends to apply these funds to reducing debt, building reserves or increasing unrestricted cash.

### Review Process and Accountability

It is the intention of senior management to regularly review and update the LTFP, with a minimum requirement for the plan to be updated and formally endorsed by Council as part of the Annual Budget process. Interim reviews will also be undertaken if there are material changes to key assumptions, including movements in the mining sector, grant funding availability, or changes in operating conditions. Through this structured review process, the LTFP ensures that Council's long term decision making remains financially responsible, transparent, and aligned with community priorities, while also allowing flexibility to adapt to external challenges.

### Assurance of Sustainability

Through its regular review process, the LTFP ensures that Council decisions remain financially responsible, emerging risks are identified and managed early, and the Shire continues to operate in a transparent and accountable manner. Importantly, the review cycle ensures that the LTFP remains a guiding tool, not a fixed commitment, with each project and assumption subject to reconsideration and approval through the annual budget process.

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## Document Control

Version	Date	Author	Authorised
2026.1 Draft	18/05/2026	M. Whitely	
2026.2 Draft	08/06/2026	M. Whitely	
2026.3 Draft	12/06/2026	M. Whitely	