

Quarterly Report to the Inspector 30 January 2026

EXECUTIVE SUMMARY QUARTERLY REPORT – PERIOD ENDING 31 DECEMBER 2025

PURPOSE

This summary provides a clear line of sight to the Shire of Coolgardie's (SoC) current compliance status, financial position and key risks, consistent with the Ministerial Expectations issued on the 22 December 2025. It is the primary vehicle for ensuring transparency between the SoC and the Minister's office, specifically addressing the mandates of the Show Cause Notice. Beyond statutory obligation, this analysis serves as a strategic diagnostic of the Shire's recovery, evaluating whether operational results align with the governance reforms required for long-term municipal viability. The following table assesses the Shire's alignment with Ministerial expectations.

BACKGROUND

The SoC operates under a rigorous regulatory oversight framework mandated by the Department of Local Government, Industry Regulation and Safety (LGIRS). This environment was formalised following correspondence from the Minister for Local Government dated 22 December 2025, which detailed explicit "Ministerial Expectations" regarding the SoC's financial recovery and governance. The SoC understands that this oversight is not elective; it is a direct response to historical financial instability and requires the Shire to demonstrate measurable progress through the completion of statutory planning documents and transparent financial reporting.

The SoC is committed to working closely with the Department of Local Government, Industry Regulation and Safety (LGIRS) Inspector. The Shire will continue to communicate openly with our residents, businesses and stakeholders as we progress through the recovery period.

This report is a critical strategic instrument for the CEO and Council, designed to assess the Shire of Coolgardie's progress against the rigorous regulatory requirements currently in force. For a local government operating under intense scrutiny, absolute transparency and reporting precision are not merely compliance exercises; they are the fundamental mechanisms for maintaining the Shire's long-term solvency and restoring the Minister's confidence in the Council's governance capacity.

The current reporting regime originated from a Ministerial Show Cause Notice (84-08758), issued following escalating concerns regarding the Shire's financial position. This situation was compounded by the 2023 State Administrative Tribunal (SAT) ruling regarding Polaris Metals (Mineral Resources Ltd), which identified that the Shire had incorrectly applied valuation bases to mining assessments over four financial years. This resulted in a \$1,839,386 liability. Critically, this oversight was attributed to a significant governance failure, specifically high staff turnover and a lack of awareness regarding the settlement status by the former CEO and CFO. Consequently, the Shire was required to develop a Financial Recovery Plan (FRP) and restate its 2023/24 financial reports.

The Financial Recovery Plan (FRP) reflects our commitment to good governance, financial responsibility, and the long-term wellbeing of the SoC.

CEO Assurance

The current administration has full visibility of the SoC's financial position, liabilities and risks. All known historical issues have been disclosed, incorporated into planning and are being addressed through disciplined, deliberate decision-making. The SoC remains committed to restoring the Minister's confidence in the Council's governance capacity through transparency, compliance and demonstrable progress.

1. Compliance Status

The Shire acknowledges that Ministerial oversight is not elective and remains fully committed to meeting both the intent and the detail of the reporting framework.

Ministerial Reporting Milestones

Reporting Period	Data Coverage	Submission Deadline
Quarter 1 (SoC Q2)	October to December 2025	31 January 2026
Quarter 2 (SoC Q3)	January to March 2026	30 April 2026
Quarter 3 (SoC Q4)	April to June 2026	31 July 2026
Quarter 4 (SoC Q1)	July to September 2026	31 October 2026

Ministerial Expectations for Q1 (SoC Q2) Report

Minister's Expectation	Status	Management Comment / Action Required
Quarterly Updates on FRP & LTFFP Implementation	Met	Period ending 31 December 2025 update provided via this report.
Statement of Comprehensive Income (with Estimated Actuals)	Met	Compliant & Reported Separately in template
Statement of Cash Flows (including Estimated Actuals)	Met	Compliant & Reported Separately in template
Statement of Financial Position (with Estimated Actuals)	Met	Compliant – Including Forecast to 30 June 2026
Updated Debt Position & Reserve Balances	Met	Separated into 2 separate categories (1) Debt & (2) Reserves <ol style="list-style-type: none"> 1. Total Debt - \$26.67m - <i>consisting of \$25.46 million in loans and \$1.21 million in lease liabilities.</i> 2. Reserves - \$261k
Adopted Long-Term Financial Plan (LTFFP) & Asset Management Plan	Met	LTFFP adopted by Council in September 2025 Work has commenced on Asset Management Plan.

Compliance Progress: Reporting & Planning Milestones

Item Description	Due Date	Current Status (Met/Not Met)
Submit high-level timetable for Integrated Planning and Reporting Framework (IPRP)	17 Nov 2025	Met
Quarterly Update (Oct–Dec 2025)	31 Jan 2026	Met
Workforce Plan	31 Mar 2026	Not Met (Pending Submission)
Long-Term Financial Plan (LTFP)	31 Mar 2026	Not Met (Pending Submission)
Asset Management Plan (AMP)	31 Mar 2026	Not Met (Work has commenced)
Strategic Community Plan (Minor Review)	30 Jun 2026	Not Met
Corporate Business Plan	30 Sept 2026	Not Met

Current Financial Position

- The Shire reported a \$9.62 million year-to-date operating surplus as at 31 December 2025. This outperforms the YTD budget of \$7.23 million however requires a nuanced interpretation. While revenue is exceeding targets, the Shire remains in a recovery phase characterised by defensive expenditure management.
- This position reflects temporary stabilisation, not structural recovery. It has been driven by:
 - High occupancy at Bluebush Village,
 - Vacancy management across the workforce and
 - Strategic refinancing of debt on interest-only terms.
- Cash and cash equivalents of \$12.55 million (including term deposits) at mid-year is cyclical and inflated by annual rates levying. Internal forecasts indicate a decline to \$2.64 million by 30 June 2026, which is below the Shire's preferred unrestricted cash threshold of \$3–5 million.

Critical Revenue Analysis

- Fees and Charges (The Bluebush Factor): Actual revenue reached \$9.59 million, an 11.99% positive variance. This is driven by 80%+ occupancy at Bluebush Village, validating the asset as a vital engine for immediate solvency. This significantly outperforms the 50% occupancy rate conservatively modelled in the LTFFP.
- Conversely, operating grants are down by 29.58% (\$358,154 shortfall). This highlights that the "turnaround" is currently reliant on "own source" revenue rather than external support.
- A 34.33% positive variance in interest earnings (\$213,684) reflects the active investment of surplus funds generated by early rate collections and deferred spending.

Interest and Cash Flow Management

Category	Performance	Strategic Impact
Interest Earnings	34.33% Above Budget (\$213,684)	Effective investment of cyclical surplus funds from rates.
Interest Expenses	33.12% Under Budget (\$537,011)	Favourable variance is the result of interest costs accrued at 30 June 2025 that were included as costs in 25/26 Budget. Variance will sort itself at 30 June 2026 following accrual of interest costs in 25/26 financial year

While the operational health is "stabilising" this position is fragile, as it relies on the continued suppression of labour costs and high commercial occupancy at Bluebush.

Expenditure Profile and Human Capital Risks

The Shire recorded a 21.79% underspend in "Employee Costs" (\$2.59M actual vs. \$3.31M budget). While this improves the bottom line, it presents a strategic risk:

- This variance follows a "deliberate decision to suspend recruitment" in 2024/25 to preserve cash.
- While vacancy management provides a short-term cash benefit, continuing this trend into Q2 risks institutional burnout and compromised service delivery. The Financial Recovery Plan's goal of "restoring positions" is being sacrificed for immediate liquidity, which is unsustainable for long-term municipal health.
- This must be distinguished from the structural savings achieved by ceasing non-essential consultants and contractors. While the consultant savings represent a permanent improvement to the bottom line, vacancy management is a temporary measure that, if sustained, will eventually degrade service delivery capacity.

Bluebush Village – Strategic Lever

Bluebush Village remains the single most significant variable in the Financial Recovery Plan. Its proposed divestment appears to be the only viable mechanism for a total fiscal reset and the restoration of a healthy balance sheet.

1. Retention of the asset exposes the Shire to ongoing debt, valuation risk and revenue volatility.
2. Divestment provides the clearest pathway to materially reducing debt, stabilising the balance sheet and restoring acceptable financial ratios.

The Shire has received an unconditional offer of **\$22.055 million** (including GST), exceeding FRP assumptions and providing greater commercial certainty. Successful divestment would represent a decisive shift from short-term stabilisation to long-term financial sustainability.

Comparative Financial Impact (10-Year Forecast)

Scenario	Forecast Net Cash Flow	Primary Drivers
Retention	(\$10.05 million)	\$16M in loan repayments; \$5.56M in interest; market volatility.
Sale	+\$10.68 million (Based on the current offer this figure becomes \$12.11 million)	Elimination of debt service; \$1.12M in new rate revenue.

- Net Differential: The sale represents a \$20.73 (\$22.16 based on current offer) million positive variance in the Shire's cash position compared to retention. The above scenario is very much dependent on assumptions around occupancy levels. Above table used occupancy levels of 50% or less, current levels are about 80%.
- The Shire has received a superior offer from Westgold Resources Ltd (RFT 01/2025) for \$22,055,000 (including GST). This offer provides "Greater Commercial Certainty" as it is unconditional, higher than the \$19 million modelled in the FRP, and avoids complex boundary realignments. Successful divestment would provide a substantial reduction to the \$26.7 million debt principal and the Vestone lease liabilities. Removing these from the balance sheet eliminates the risk of future valuation decrements—such as the \$3.52 million loss recognised in 2024/25—and is essential for the Shire to achieve acceptable financial ratios.

2. Key Financial Ratios and Ministerial Indicators

The Local Government Financial Indicator (LGFI) score and the specific ratios requested by the Minister serve as proxies for the SoC's long-term sustainability. Financial ratios serve as the ultimate diagnostic for the Shire's recovery. While the YTD surplus is high, it is cyclical and masks underlying liquidity pressures.

The current ratio is currently at 2.11, the highest level it has been for many years and well above the industry benchmark. The debt service coverage ratio is currently sitting at 28.61. The benchmark score is 2. This ratio is currently overstated as there only loan principal repayments being made. The forecast shows that cash and cash equivalents will drop to \$2.64 million by June 2026. This is a critical strategic trigger, as it falls below the Unrestricted Cash Target of \$3 million to \$5 million established in the LTFP which was endorsed by Council in September 2025 and will be reviewed and updated as part of the budget review process and tabled at the March 2026 Ordinary Council meeting.

Despite these pressures, the Shire is demonstrating improved financial discipline through its reserve accumulation strategy:

- Transfers to Reserves of \$617,425 have been budgeted for but not taken place. They are forecast to be made in June 2026. Total budgeted transfers for 25/26 are \$359,600 which will increase the reserve balance at 30 June 2026 from \$257,825 to \$617,425. Currently transfers to reserves is only \$3,508 which is the interest component earned on existing funds held on term deposit.
- Strategic Intent: Proactively "quarantining" these funds for future debt repayment ahead of the original 2026/27 FRP schedule is a positive signal to the Minister.
- A Debt Management Reserve was established at the October 2025 OCM for the purpose of establishing funds to meet future loan repayments.
- Based on the Independent Quarterly Reporting (Q2) and the Long-Term Financial Plan (LTFP), the Shire of Coolgardie is tracking towards a significant recovery across most financial ratios for the 2025/26 financial year. The data indicates a transition from severe financial distress in 2023/24 to a stabilised position in 2025/26, largely driven by debt restructuring and operational cost controls.

Summary Of Local Government Financial Indicator (LGFI)

Ratio	Status	Key Driver
Current Ratio	Recovered	Refinancing shifted short-term liability to long-term; creditor backlog cleared.
Debt Service Ratio	Strong	Interest-only loan terms have temporarily removed principal repayment obligations. The ratio is currently sitting well above the industry benchmark score but is currently overstated as no loan principal repayments are being made.
Operating Surplus	Positive	Strong non-rate revenue (Bluebush Village) and strict vacancy management reducing wage costs. Selling Bluebush Village will have a negative impact on this ratio since it is dependent on deriving additional revenue outside of rates, ie. Fees & Charges of which \$9.1m forecast to come from Bluebush Village in 25/26.
Net Financial Liabilities	Lagging	Total debt (\$26.7m) remains high relative to revenue; requires long-term pay-down or asset sale to fix. Acknowledged that this ratio will only improve as debt is reduced.

The LGFI assesses a local government's liquidity, solvency, and financial flexibility through a score out of 100, where a result of 70 or above indicates solid financial health.

The LGFI is calculated using four specific financial ratios:

LGFI Ratios	
Current Ratio	The Current ratio provides insights to the ability of a local government to meet its short-term financial obligations out of unrestricted current assets. The benchmark score is 1.
Debt Service Coverage	The Debt Service Coverage ratio is the measurement of a local government's ability to repay its debt including lease payments. The benchmark score is 2.
Operating Surplus	The Operating Surplus ratio is a measure of a local government's ability to cover its operational costs and generate funds available for capital funding or other purposes. The benchmark score is 0.
Net Financial Liabilities	The Net Financial Liabilities ratio contrasts the level of debt of a local government to its operating revenue. The benchmark score is 0.3.

The Shire projects that it will meet the industry benchmarks for the first three ratios in the near term, while the Net Financial Liabilities Ratio is expected to lag, only meeting the benchmark in the later stages of the 10-year plan (FY32–35) as the debt principal is progressively paid down.

Current and Projected Performance

The SoC's LGFI scores reflect its current financial distress and the projected trajectory of its recovery:

- **Current Status (Financial Distress):**

- The SoC LGFI score for the 2023/24 financial year was 27.
- The Long-Term Financial Plan (LTFP) rates the Shire at 28 for 2025. The actual LGFI score was 36.
- The MyCouncil website currently lists the Shire's LGFI at 34. (The score of 34 relates to the 22/23 financial year. The recent data received is for the 23/24 financial year and shows a score of 45. The score is actually 27 as a result of the restated financial statements. The calculated score for the 24/25 financial year is 36 and the forecast score for 25/26 is currently sitting at 60).
- These low scores act as a prompt for scrutiny regarding revenue, expenses, and service delivery, reflecting the Shire's recent liquidity challenges and high debt levels.

- **Projected Recovery:**

- The Shire projects a significant improvement over the next decade as it implements its Financial Recovery Plan.
- The LTFP forecasts the score will rise to 92 by 2035.

Current Ratio (Liquidity):

- Benchmark: >1:0 to 1 (*Standard: Met*)
- Trend: The Shire has moved from a critical liquidity crisis to a surplus position.
 - FY24 Actual): 0.17 (*Severe distress*)
(0.17 as 23/24 restated for prior year error and rate provisions)
 - FY25 Actual: 0.57
 - FY26 Forecast: 0.86
- Analysis: The SoC is projected to be just under the industry benchmark in FY26 primarily due to clearing (1) outstanding creditors (2) capital infrastructure backlog and (3) contract liabilities. The Q2 report supports this trajectory, showing a strong "Net Current Assets" surplus position of \$9.62 million for the period ended 31 December 2025. This recovery is attributed to the refinancing of short-term debt into long-term loans, which removed immediate repayment liabilities from the current ratio calculation. The Shire holds \$12.55 in cash & term deposits as of 31 December 2025. However, internal forecasts project this will erode to \$2.64 million by 30 June 2026. It is important to note that 25/26 will clear a backlog of infrastructure projects and clear all contract liabilities, hence why the cash position is lower than would usually be expected given all other financial aspects.

Debt Service Coverage Ratio (DSCR):

- Benchmark: >2:0 :1 (*Standard: Met*)
- Trend: The ratio is tracking significantly above benchmark due to strategic debt restructuring.
 - FY24 Actual: 0.78 (Distress)
 - FY25 Actual: 1.28
 - FY26 Forecast: 6.05
- Analysis: The forecast ratio of 6.05 is exceptionally high, but this is artificial rather than structural. It is the result of the Shire refinancing loans to "interest-only" terms for the next 3 to 5 years. By deferring principal repayments until January 2028, the denominator in this ratio (debt service cost) is temporarily reduced, inflating the coverage ratio to provide a "critical recovery window".
- This ratio is also bolstered by a 33.12% underspend in interest expenses (\$537,011 actual vs. \$802,995 budget), not because operational efficiency has fundamentally scaled. (This is only for the YTD calculation as it corrects itself at 30 June 2026 and is included in the forecast position).

Operating Surplus Ratio:

- Benchmark: Greater than 0% (Standard: Met)
- Trend: The Shire has turned a structural deficit into a forecast surplus.
 - FY24 Actual: -24% (Deficit).
 - FY25 Actual: -2%
 - FY26 Forecast: 13%
- Analysis: The Shire is tracking well against this ratio. The Q2 report highlights a Net Result of \$11.56 million against a YTD budget of \$12.06 million. While the YTD result is slightly under budget, the strong performance in "Fees and Charges" (11.99% above budget), driven by Bluebush Village occupancy, supports the achievement of a positive operating surplus ratio for the full year. In addition to capital grants of \$3.7m budget v \$0.9m received.

Selling Bluebush Village will have a negative impact on this ratio since it is dependent on deriving additional revenue outside of rates, ie. Fees & Charges of which \$9.1m forecast to come from Bluebush Village in 25/26.

Net Financial Liabilities Ratio (Debt Burden):

- Benchmark: < 30% (Standard: Not Met)
- Trend: This remains the Shire's most challenging ratio and is not expected to meet the benchmark immediately.
 - FY24 Actual: 144% (Very High Risk).
 - FY25 Actual: 113%
 - FY26 Forecast: 93%
- Analysis: Despite improvements, the Shire remains highly leveraged with a ratio of 83%, which exceeds the < 30% benchmark. The LTFP projects that the Shire will not meet this benchmark until loan repayments recommence fully in the 2027/28 financial year or unless significant assets (like Bluebush Village) are sold to extinguish debt earlier.

Operating Revenue:

The Shire has successfully transitioned from a passive reliance on rates to an active commercial model. However, this has introduced significant risk. The "Fees and Charges" stream is highly sensitive to mining market volatility. While Bluebush Village is currently delivering a surplus, the LTFP notes that selling the asset would remove this revenue volatility and immediately extinguish associated debt, presenting a critical strategic trade-off between high revenue (with high risk) and financial stability.

Operating Expenditure:

The Shire's operating expenditure profile for FY26 is characterised by defensive austerity. The large surplus is being manufactured primarily through vacancy control (Employee Costs) and debt restructuring (Finance Costs) rather than structural service innovation. While effective for immediate solvency, the current suppression of labour costs is "unsustainable for long-term municipal health".

Capital Revenue:

Capital revenue represents the most significant area of underperformance and risk for the Shire. There is a critical disconnect between the budgeted capital income—essential for clearing the infrastructure backlog—and the actual funds recognised. For the first half of FY2025/26, the Shire reported a 97.5% shortfall in capital grants against the budget. While some of this is due to accounting timing (revenue recognition upon project completion), the magnitude of the variance poses a threat to the liquidity required to deliver the capital works program outlined in the Financial Recovery Plan.

The Shire has budgeted \$5.87 million in capital grants and subsidies for the 2025/26 financial year. To date, \$2.60 million has been received; however, only \$91,769 has been recognised as income, as several capital-funded projects have experienced minor timing delays. This has resulted in a significant variance against the \$3.69 million budgeted as at 31 December 2025. The unrecognised portion of funding received is reflected in a contract liability balance of \$2.51

million at 31 December 2025. Importantly, the forecast position remains unchanged, and the current variance is timing-related in nature rather than a permanent shortfall.

Capital Expenditure:

The Shire's capital expenditure program is currently characterised by significant delivery delays and strategic deferrals. For the first half of the 2025/26 financial year, the Shire has achieved only 11% of its year-to-date (YTD) capital expenditure budget. While this aligns with the Financial Recovery Plan's objective to preserve cash flow, it contradicts the stated strategic intent to "clear the capital backlog" (particularly on roads) in the current financial year.

Delays in the capital works program were primarily attributable to the tender for the roads program not being endorsed until the December 2025 Ordinary Council Meeting. Given that the roads program represents approximately 77% of the 2025/26 capital works budget, this largely explains the sizeable variance as at 31 December 2025. Notwithstanding the timing delay, capital works remain forecast to be completed in accordance with the approved program by 30 June 2026.

Cash and Cash Equivalents:

The Shire is currently in a period of liquidity stabilisation. Cash holdings have recovered from a critical unrestricted deficit of \$0.93 million in June 2024 to a positive position. However, the current cash balance is highly cyclical (inflated by annual rates levying) and is forecast to erode significantly by June 2026. The recovery is heavily reliant on the strategic refinancing of debt (interest-only terms) and the strong performance of Bluebush Village, while a significant shortfall in capital grant receipts poses a material risk to cash reserves for the remainder of the 2025/26 financial year.

The cash and cash equivalents balance of \$12.55 million represents a favourable movement of \$11.58 million compared to the same position 12 months earlier. While it is pleasing to report a strong liquidity position as at 31 December 2025, this outcome is largely expected, reflecting the receipt of a significant portion of 2025/26 rates revenue in the first half of the financial year and the forecast delivery of just over \$8 million in capital works expenditure during the second half of the year.

Surplus / (Deficit) Position:

The SoC has successfully arrested its decline into deficit. The reported \$9.62 million YTD surplus demonstrates that immediate liquidity has been restored through debt restructuring, high asset utilisation (Bluebush Village), and strict staff vacancy management. However, this surplus is cyclical. The true test of the Shire's financial position will be its ability to maintain a positive closing balance by June 2026 while navigating the significant shortfall in capital grant revenue.

The Shire adopted a balanced budget for the 2025/26 financial year. At the time of adoption, the Shire was unaware of a rating dispute which subsequently resulted in a SAT determination that rates totalling just over \$1.8 million had been overcharged over a four-year period. Accordingly, a provision was established to recognise the future repayment obligation.

Following the identification of this liability, management undertook a detailed budget review and were able to implement a number of operational savings. With the associated budget amendments endorsed at the December 2025 Ordinary Council Meeting, the forecast deficit position as at 30 June 2026 was reduced to approximately \$991,694. Management is now in the process of completing the statutory budget review, which is expected to identify further efficiencies and potentially reduce the forecast deficit position further.

Current Assets:

While the asset base has grown, the "Current Ratio" (Current Assets ÷ Current Liabilities) provides the true measure of solvency.

- FY24: The Shire was in severe distress with a ratio of 0.17.
- FY26 Forecast: The Shire projects a ratio of 0.86.

The current asset position is \$16.98 million. The projected drop in cash to \$2.64 million by June 2026 confirms that while the SoC has stabilised its current assets, it has not yet built a substantial safety margin.

It is important to note that the 2025/26 financial year includes the delivery of a significant backlog of infrastructure projects and the acquittal of all outstanding contract liabilities. Accordingly, the cash position at year end is expected to be lower than would ordinarily be anticipated when considered in isolation, despite the Shire's improved underlying financial performance and liquidity management.

Current Liabilities:

The SoC's current liabilities position has undergone a significant structural shift. The data indicates a reduction in immediate obligations, largely driven by the strategic clearing of trade creditors and the restructuring of debt, although significant specific provisions regarding legal liabilities remain.

Total current liabilities have decreased from \$8.06 million as of 31 December 2025; representing a substantial reduction from the \$13.38 million position at the same time 12 months earlier. Trade and other payables have decreased significantly over the period, falling from \$4.45 million to \$2.20 million. The overall improvement in the current liability position also reflects the deferral of certain loan repayments, partially offset by the recognition of rate related provisions. The SoC forecasts this will reduce further to \$5.62 million by 30 June 2026. This downward trend is a positive indicator of liquidity recovery, primarily achieved by eliminating short-term borrowing obligations and reducing the backlog of unpaid suppliers.

Trade & Other Receivables:

The SoC's receivables profile reflects its strategic transition from a traditional local government relying on rates to a commercially active entity generating significant "own-source" revenue. As of 31 December 2025, Total Current Receivables stood at \$4.25 million, a figure inflated by the cyclical levying of rates. However, the composition of these receivables highlights a growing exposure to commercial credit risk (Trade Receivables) alongside statutory tax collection (Rates), with both streams heavily concentrated in the mining sector.

Trade and other receivables totalled \$4.25 million as at 31 December 2025. This balance is expected to reduce over the remainder of the financial year as outstanding rates continue to be collected and other receivables are actively followed up in a timely manner.

Trade & Other Payables:

The profile of Trade and Other Payables demonstrates that the Shire has successfully utilised its cash inflow to clear a significant backlog of creditor payments. Payables have reduced by 59% from the crisis levels of June 2025 (\$2.18 million as of December 2025). However, forecasts indicate this balance will creep back up to \$3.58 million by year-end as cash reserves tighten, before stabilizing at lower structural levels in future years.

The forecast trade payables balance as at 30 June 2026 reflects the timing of capital works delivery, with a number of projects expected to be finalised or completed in late May and June. This is anticipated to result in a higher than normal level of invoices falling within the 30-day payment period at year end.

Borrowings (Principal Outstanding):

As of 31 December 2025, the SoC's total borrowings principal outstanding is \$25.46 million. The balance has remained static throughout the first half of the financial year due to strategic refinancing that has implemented an "interest-only" period. The debt portfolio is heavily skewed toward the Bluebush Village worker accommodation facility. While the Shire is currently not making principal repayments, the debt stock remains high relative to operating revenue, necessitating either a strict 10-year repayment discipline or the divestment of major assets to clear the liability.

- Loans \$25.46 million
- Leases \$1.21 million

Cash Reserves:

Whilst the Shire reports a high headline cash position of \$12.55 million and appears healthy, it is working capital that will be largely consumed by year-end. The Shire's long-term financial survival depends entirely on adhering to the LTFP strategy of banking operational surpluses into the new Debt Management Reserve to prepare for the resumption of loan repayments in 2028.

Statutory Liabilities and Risk Mitigation

Accounting for historical liabilities is essential to the integrity of the draft LTFP and satisfying Ministerial scrutiny regarding past oversights.

SAT Polaris Metals Valuation Ruling

A State Administrative Tribunal ruling verified a \$1.84 million liability (discounting the \$2.4M estimate in the Show Cause Notice) due to incorrect mining rate assessments over four years.

- A repayment plan is scheduled in two equal instalments across the 2025/26 and 2026/27 financial years.
- The initial omission of this liability from the budget was due to a "lack of awareness by the former CEO and CFO" regarding the settlement status. The current administration has corrected this by integrating the liability into revised planning, demonstrating superior data control and a commitment to transparency.
- Any failure to finalise the proposed Bluebush Village sale or secure capital grants will leave the Shire unable to absorb these repayments without compromising basic services.

To management's knowledge, discussions with Mineral Resources Ltd have only recently commenced, and there remains some uncertainty as to whether the correct outstanding amount has been agreed, noting that an incorrect valuation was included in Mineral Resources' original calculation. In its correspondence to the Shire, Mineral Resources sought repayment of the full amount.

Section 6.40(3) of the Local Government Act 1995 provides that overpaid rates may be offset against future rate liabilities (currently approximately \$230,000 per annum). The Shire's initial response proposed repayment over a four-year period. For the purposes of the Long-Term Financial Plan and cash flow projections, management has conservatively assumed repayment over a two-year period.

At this stage, a number of uncertainties remain regarding both the final quantum and the repayment approach, and the forecasts will be updated as discussions progress and greater clarity is achieved.

Integrated Planning and Reporting Framework (IPRF) Alignment

In parallel with financial stabilisation, the administration has prioritised strengthening the non-financial pillars of the Integrated Planning and Reporting Framework (IPRF) to address underlying governance and capability risks. Targeted actions are underway to reset organisational culture, stabilise the workforce and improve leadership capability, informing the development of a fit-for-purpose Workforce Plan aligned to service delivery priorities. Council effectiveness and governance maturity are being strengthened through clearer role delineation, improved briefing quality and enhanced decision-making discipline, supporting the objectives of the Strategic

Community Plan and Corporate Business Plan. Investment in systems, data integrity and information management is improving the reliability of reporting and internal controls, enabling more effective asset, financial and risk planning.

Collectively, these actions are designed to ensure that the Long-Term Financial Plan, Asset Management Plans and Workforce Plan are integrated, evidence-based and sustainable, providing assurance that recovery efforts extend beyond short-term financial measures and are embedding enduring governance and organisational capability.

Pillar: Leadership, Governance and Council Effectiveness

Key Related Documents:

- Strategic Community Plan
- Corporate Business Plan
- Annual Report

To strengthen the pillar of Leadership, Governance and Council Effectiveness, the Shire is implementing targeted mentoring and coaching for Councillors to build capability, improve decision-making discipline and reinforce a shared understanding of roles and responsibilities. Evidence from sector-wide mentoring programmes demonstrates that structured coaching enhances strategic judgement, strengthens communication skills and supports consistent, accountable governance practices, while also improving engagement and retention by bridging experience gaps and supporting the transfer of institutional knowledge. These initiatives directly support the expectations of the IPRF, which requires councils to operate with clarity, transparency and disciplined performance monitoring to ensure community aspirations are effectively translated into long-term strategic direction and sound governance.

Actions taken to date:

- Inquiries have commenced to source experienced consultant to mentor and coach Councillors to provide structured support to strengthen governance capability, improve decision making discipline and build a shared understanding of roles and responsibilities.
- WALGA training courses have been scheduled:
 - Understanding Local Government
 - Conflicts of Interest
 - Meeting Procedures
 - Serving on Council
 - Understanding Financial Reports and Budgets
 - CEO Recruitment Training
- Training courses to be scheduled
 - Managing the CEO
 - Cultural Awareness Training
- 2024 / 2025 Annual Report adopted by Council in December 2025.
- Planning has commenced to commit to a new Strategic Community Plan and Corporate Business Plan (Council Plan).

Pillar: Organisational Capability and Service Sustainability

Key Related Documents:

- Strategic Community Plan
- Corporate Business Plan
- Workforce Plan
- Asset Management Plan
- Long Term Financial Plan

To meet the pillar of Organisational Capability and Service Sustainability, the Shire must strengthen its internal capacity by integrating workforce, asset and financial planning to ensure services are delivered effectively and sustainably over the long term. The IPRF requires local governments to build organisational and resource capability that aligns community aspirations with strategic direction, supported by evidence-based planning, transparent resourcing and performance monitoring. This includes ensuring that the Strategic Community Plan and Corporate Business Plan are operationally achievable, underpinned by a Workforce Plan that identifies capability gaps, succession needs and critical-role coverage, and by asset and financial plans that clearly convey long-term service implications. By embedding disciplined planning, improving data reliability and aligning resources with priority services, the Shire will enhance service sustainability and demonstrate that recovery efforts are translating into enduring organisational capability.

Actions taken to date:

- Workforce Plan has been endorsed by Council in 2025.
- Planning has commenced to commit to a new Strategic Community Plan and Corporate Business Plan (Council Plan).
- Work has commenced to reviewing the Asset Management Plan.
- Long Term Financial Plan was adopted by Council in 2025.

Pillar: People Culture and Workforce Stability

Key Related Documents:

- Corporate Business Plan
- Workforce Plan
- Long Term Financial Plan

To meet the pillar of People, Culture and Workforce Stability, the Shire is strengthening its workforce capability by ensuring staffing levels, skills and structures are aligned to long-term service needs. The IPRF requires local governments to build organisational and resource capability to meet community demand, supported by evidence-based planning and ongoing performance monitoring. In line with workforce planning guidance, the Shire is focusing on addressing capability gaps, improving recruitment and retention, supporting an ageing workforce, and enhancing training, performance management and succession planning to maintain a productive, stable and skilled workforce

Actions taken to date:

- Previous reports by Consultants reviewing cultural and other issues have been reviewed. The Delivering Outcomes Report had significant impact on the organisation with a number of Senior staff exiting. Actions implemented:
 - Inquiries have commenced to source suitable consultant to design and conduct a “pulse check” on the current culture of the organisation
 - Inquiries have commenced to source suitable provider of a “whistleblowers hotline”. To provide a confidential option for any staff to report matters causing them concern, allegations of wrong doing or any other matters.
 - The Work Health and Safety Issues identified in the report are in the process of being finalised and the results will be reported to the Audit, Risk and Improvement Committee (ARIC) and Council.
- Key vacancies are being advertised and filled as required
- Planning has commenced for “Lunch and Learn” sessions for senior leaders at Shire of Coolgardie, with the first session to be delivered in February 2025.
- Planning has commenced to commit to a new Strategic Community Plan and Corporate Business Plan (Council Plan).
- Workforce Plan has been endorsed by Council in 2025.
- Long Term Financial Plan was adopted by Council in 2025.

Pillar: Financial Governance and Management Discipline (non- financial lens)

Key Related Documents:

- Long Term Financial Plan
- Annual Budget & Reporting
- Corporate Business Plan
- Asset Management Plan
- Workforce Management Plan

To meet the pillar of Financial Governance and Management Discipline (non-financial lens), the SoC is strengthening its governance systems to ensure decisions are transparent, evidence-based and aligned with the organisation's resourcing capacity. The IPRF requires local governments to maintain disciplined planning, robust internal controls and effective performance monitoring to support sound governance. This includes integrating accurate information from asset, workforce and long-term financial planning into decision-making and maintaining reliable compliance and reporting systems to support continuous improvement and accountability.

Actions taken to date:

- Long Term Financial Plan was adopted by Council in 2025.
- 2024 / 2025 Annual Report adopted by Council in December 2025.
- Planning has commenced to commit to a new Strategic Community Plan and Corporate Business Plan (Council Plan).
- Work has commenced to reviewing the Asset Management Plan.
- Workforce Plan has been endorsed by Council in 2025.
- Independent Audit Report and Annual Financial Report for year ended 30 June 2025 were received by Council in December 2025. To note:
 - In total, four findings were raised in the Final Audit Management Letter. None of the findings were assessed as significant. This represents a material improvement from the 2023/24 financial year where six of the findings were deemed to be significant.
 - It is pleasing to note the Shire's improved financial stability and the more favourable commentary regarding going concern. While this represents a significant achievement and reflects the substantial efforts of management over the past 12 months, it is important that the Shire continues to maintain and strengthen the sound financial practices now in place. Ongoing focus and discipline will be essential to ensure the Shire remains on this positive trajectory and establishes a solid financial foundation for the years ahead.

Pillar: Risk Assurance and Compliance Uplift

Key Related Documents:

- Long Term Financial Plan
- Annual Reporting and Performance Management
- Corporate Business Plan

To meet the pillar of Risk Assurance and Compliance Uplift, the Shire is improving its governance systems to ensure risks are identified early, compliance obligations are met, and internal controls operate reliably. The IPRF requires disciplined planning, strong organisational capability and effective performance monitoring to support transparent, accountable decision-making. This includes strengthening compliance reporting, improving the accuracy of information provided to Council and embedding consistent, system-based controls to ensure risks are proactively monitored and managed.

Actions taken to date:

- Long Term Financial Plan was adopted by Council in 2025.
- Planning has commenced to commit to a new Strategic Community Plan and Corporate Business Plan (Council Plan).
- 2024 / 2025 Annual Report adopted by Council in December 2025.
- Inquiries have commenced to identify a pro-active risk management system to improve the tracking and visibility at Executive and Council level.
- Risk Management is a scheduled topic of discussion for 'lunch and learn' sessions with senior staff at SoC.
- Identified Work Health and Safety issues have been closely managed and are in the process of being closed out and a report will be submitted to ARIC.
- Planning has commenced to enhance staff capability in governance and compliance.
- Inquiries are being conducted on strengthening system-based controls including contractor and procurement compliance.

Pillar: Systems, Technology and Information Management

Key Related Documents:

- Long Term Financial Plan
- Asset Management
- Corporate Business Plan

To meet the pillar of Systems, Technology and Information Management, the SoC is strengthening the reliability and integration of its information systems to ensure accurate, timely data underpins planning, reporting and decision-making. The Integrated Planning and Reporting Framework requires disciplined, evidence-based processes supported by strong organisational capability and effective performance monitoring. This includes improving data integrity, enhancing record-keeping and reporting systems, and embedding system-based controls to reduce manual workarounds and support transparent, accountable governance.

Actions taken to date:

- Long Term Financial Plan was adopted by Council in 2025.
- Planning has commenced to commit to a new Strategic Community Plan and Corporate Business Plan (Council Plan).
- Work has commenced to reviewing the Asset Management Plan.
- Exploration has commenced on the stabilisation of core systems supporting finance, payroll and reporting
 - Current Information, Communications and Technology systems are not supporting a modern way of working, rather increasing manual workarounds that increase governance risk
 - Exploration includes laying foundations for future digital uplift (without committing to cost)
 - Ensure that framework covers governance, cybersecurity, data quality, business continuity, system integration and digital capability uplift.
 - Develop a 3 – 5-year system stabilisation and digital uplift roadmap, including integration improvements for the organisation.

Pillar: Community / Stakeholder Confidence and Regulatory Engagement

Key Related Documents:

- Annual Reporting
- Performance Management
- Corporate Business Plan

The Shire of Coolgardie is strengthening community and stakeholder confidence by embedding transparency, disciplined reporting and proactive engagement in line with the IPRF, which emphasises clear communication, reliable performance monitoring and genuine community involvement. Through consistent, timely interactions with the Department, the Inspector, Council and the Community, the SoC is demonstrating a commitment to open governance, improved accountability and responsive decision-making grounded in strategic planning obligations

Actions taken to date:

- Formalised meeting and reporting protocol with the Inspector to ensure timely, accurate submissions for performance monitoring and ongoing review.
- Research and design has commenced to publish a ‘plain English’ summary of key financial updates
- Improved responsiveness, clarity and candour in communications.
- Commitment to early disclosure of emerging issues.
- Building confidence through behaviour, not just compliance.
- 2024 / 2025 Annual Report adopted by Council in December 2025.
- Planning has commenced to commit to a new Strategic Community Plan and Corporate Business Plan (Council Plan).
- Performance Reporting is scheduled to the Inspector on a quarterly basis.

Strategic Outlook

The SoC is successfully transitioning from the net operating loss of 2024/25 toward a stabilising trend. However, this stabilisation is solvent but fragile, reliant on vacancy management and high-occupancy fees that do not yet compensate for the capital grant shortfall. The move from a "defensive" posture to long-term sustainability depends entirely on the disciplined execution of the Bluebush Village sale.

The SoC remains resilient and committed to a culture of financial discipline and transparency, ensuring that no further historical liabilities remain hidden from Ministerial or public view. The Pillars above are reform initiatives and are intentionally aligned to the IPRF to ensure that financial recovery is supported by strengthened governance, organisational capability and sustainable service planning.

The backfilling and recruitment for vacancies has commenced, with engagement of a contractors to backfill Executive Manager, Community, Development & Regulatory Service completed. Work has commenced on the Asset Management Plan, Strategic Community Plan and Corporate Business Plan have commenced and are on track to be delivered as per the agreed schedule.

Filling staff vacancies is essential to maintain operational stability and support the delivery of high-quality services. A positive organisational culture, underpinned by robust work health and safety practices, not only enhances staff wellbeing but also fosters greater engagement and resilience across the team. Effective risk management ensures that potential issues are identified and addressed proactively, safeguarding both the organisation and its workforce. To reinforce these principles, we will conduct a Culture Pulse Check and implement a Whistleblowers Hotline, providing clear channels for feedback and ensuring transparency and accountability at all levels.

Key Risks Requiring Active Management

Actively managing the identified key risks is critical to ensuring the ongoing stability and resilience of the Shire. Addressing human capital, capital program, and debt exposure risks allows Council to safeguard service delivery, maintain organisational capability, and protect long-term financial sustainability. Proactive risk management not only minimises the likelihood of operational disruptions and financial setbacks but also strengthens stakeholder confidence in Council's governance and strategic direction. By prioritising these areas, the Shire demonstrates a commitment to transparent, accountable leadership and positions itself to respond effectively to emerging challenges.

- 1. Liquidity Risk:** The recovery remains fragile and dependent on continued expenditure restraint and asset performance, as well as continued review of fees & charges estimates from operating activities.
- 2. Human Capital Risk:** Prolonged vacancy management is unsustainable and presents a medium-term risk to service delivery and organisational resilience.
- 3. Capital Program Risk:** Capital grant receipts are materially underperforming to budget, constraining delivery of the approved capital works program. Noting that SoC has already received \$2.5m in grant funding and the capital works program has been delayed more because of only recently appointing a contractor.
- 4. Debt Exposure:** Net Financial Liabilities remain elevated and above benchmark, limiting financial flexibility.

These risks are known, quantified and actively monitored.

Closing Assurance Statement

As Chief Executive Officer, I affirm that this report provides a full, accurate and transparent account of the SoC's financial position, governance performance and operational progress. All known historical issues, liabilities and risks have been disclosed, and the information presented reflects the best available data at the time of reporting. The administration has taken deliberate steps to strengthen internal controls, embed disciplined planning and reinforce the integrity of our reporting in line with the IPFR.

The SoC remains fully committed to meeting both the intent and the requirements of the Ministerial Expectations and the Inspector's oversight. We will continue to monitor risks closely, respond proactively to emerging matters, and maintain open, timely and constructive engagement with the Department and the Inspector. I take responsibility for ensuring the Shire's ongoing compliance, for driving the organisational reforms underway, and for leading a culture grounded in accountability, evidence-based decision-making and continuous improvement.

The SoC is firmly focused on restoring financial sustainability, strengthening governance and rebuilding stakeholder confidence. The administration will continue to act with candour, discipline and professionalism as we progress through this period of regulatory enforcement, ensuring that Council and the community can be assured of stable, ethical and competent leadership.



Sabine Taylor

Chief Executive Officer

Email: ceo@coolgardie.wa.gov.au

Mobile: 0401 450 101