



Financial Sustainability Program

Information Paper 18

Financial Policies

August 2008



Introduction

This information paper seeks to prompt Councils to examine the policy framework within which their financial management functions are undertaken. It sets out the reasons why clear and explicit financial policies and procedures are needed, explains the difference in detail and purpose between 'policy' and 'procedure' documents. In addition, a checklist is included for a 'Financial Policy Framework' to assist Councils in moving towards best practice.

The findings of the LGA commissioned Independent Inquiry into the Financial Sustainability of Local Government have highlighted serious issues to be addressed and included a major conclusion that:

“Fundamentally, there is a need to address shortcomings in the financial governance policies and practices evident throughout much of the local government sector. In many councils:

- *a cash accounting mindset still prevails;*
- *the planning horizon remains predominantly short term, with the setting of appropriate long-term financial goals and targets in its infancy and budgetary frameworks, and associated internal reporting and monitoring, not having the requisite medium to longer-term focus; and*
- *the transparency of financial reporting is not at a standard achieved at other spheres of government.*

Complementing reforms in these areas, councils need to adopt a policy framework for service provision which clearly specifies their policies regarding the number and nature of services to be delivered and the methods for delivery. Councils can deliver services directly, resource share with neighbouring councils, advocate to the other spheres of government for services to be delivered, contract out services to the private or community sector or fund community groups.

Likewise, councils need to adopt a more rigorous policy framework for funding their services and infrastructure, to guide council decisions regarding revenue and financing. Such a framework should address issues such as 'user pays', and how any grants shortfalls will be covered in relation to services provided through grants funding.

We believe that local government has everything to gain by embracing a raft of financial governance and related policy reforms, and nothing to lose.”

(Financial Sustainability Review Board. August 2005. *Rising to the Challenge –Towards Financially Sustainable Local Government in South Australia. Vol 1: Overview. P5-6*)

Legislative amendments have followed through the Local Government (Financial Management and Rating) Amendment Act 2005 which now requires that Councils update their Strategic Management Plans every 4 years (to coincide with elections) and that these include a Long-term Financial Plan and an Infrastructure and Asset Management Plan covering at least 10 years. All Councils are also now required to have audit committees in place.

The legislation requires that many of the key policy matters raised in the recommendations of the Financial Sustainability Review Board be addressed in the content of each Council's Strategic Management Plans and Annual Business Plan. Good practice requires that Councils should be explicit in setting out the basis for all of their financial management decisions through a framework of policy statements.

The strengthened audit requirements of the legislation further highlight the need for Councils to adopt explicit policies and procedures covering all aspects of their financial management (see Financial Sustainability Information Papers 2, 3, 4 and 5 for guidance on audit requirements). Furthermore, Local Government will minimise opportunities for criticism when it has a clear and transparent framework governing its practices and procedures.

In response to the findings of the Inquiry the LGA has acted quickly in establishing its 'Financial Sustainability Program' providing an extensive range of initiatives and resources to support Councils in strengthening their financial positions. This paper forms part of that program and should be read in context with the other materials now available. Information papers have been, or will soon be, prepared on the following topics:

- Financial Sustainability
- An Overview of Audit Mechanisms
- Audit Committees
- Scope of External Audit - Audit Specification
- Efficiency and Economy Audits
- Infrastructure and Asset Management (Policy and Planning)
- Service Delivery Framework including the Role of Shared Services
- Long-term Financial Plans
- Local Government Financial Indicators
- Debt Management
- Governance in Local Government
- Targets for Local Government Financial Indicators
- Model Framework for Council Annual Business Plans
- Model Work Program for Council Audit Committees
- Treasury Management
- Long-term Financial Plan - A Model Format for Financial Information
- Depreciation and Related Issues
- *Audit Committee Reporting (currently being prepared)*
- *Funding Policies and Strategies (currently being prepared)*
- *Financial Governance (currently being prepared)*
- *A New Approach to State-Local Resourcing (currently being prepared)*

A number of manuals, guidelines, templates, technical definitions, codes, standards and similar documents supporting this series of information papers are also being prepared by the LGA to provide practical assistance to Councils.

For an update on which information papers have now been completed or information about other documents and activities, including briefing and training sessions, please visit our website at: www.lga.sa.gov.au/goto/fsp.

Why are financial policies and procedures needed?

The report of the Inquiry prepared by the Financial Sustainability Review Board underlined the urgent need for improvement in Local Government financial management practices, including the need to strengthen the financial policy framework.

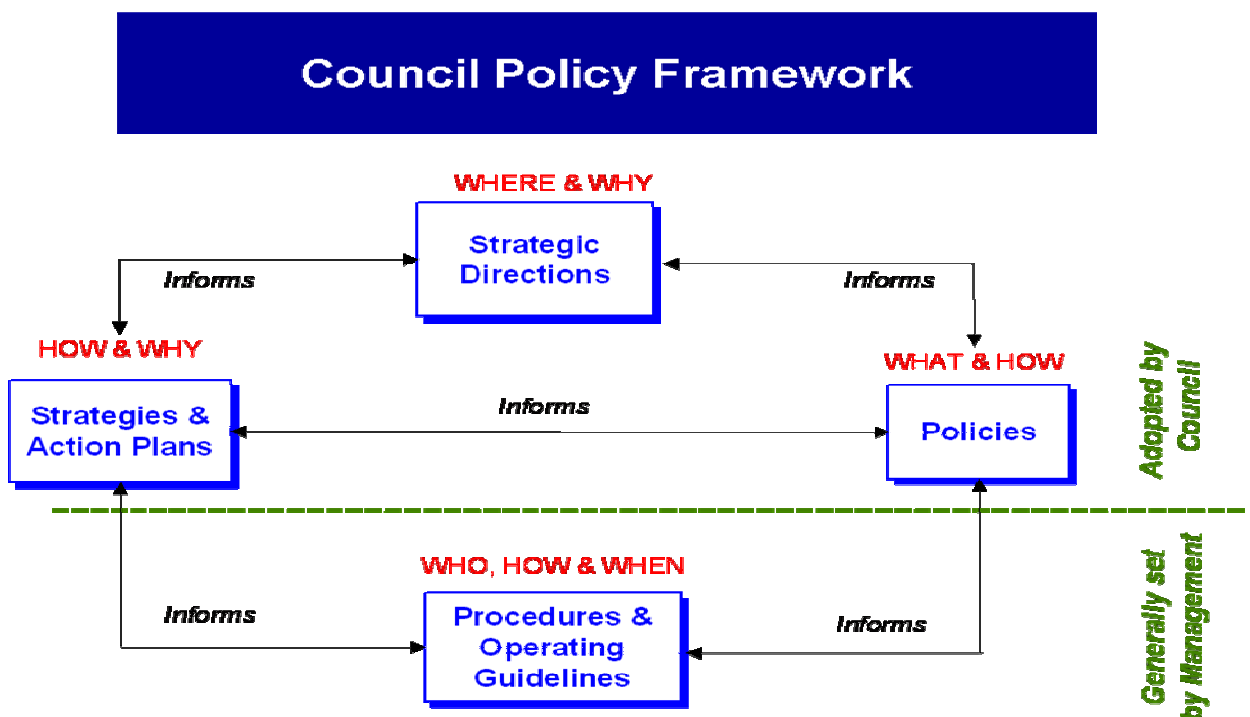
Very often the policy basis underpinning Council decision-making in many areas is implicit, guided by a common understanding, but not documented and formally adopted by the elected body. This does not make for transparency and consistency in decision-making, does not demonstrate that the issues have been properly considered and leaves Councils vulnerable to criticism, rightly or wrongly, that their financial management practices are not as good as they should be.

An explicit set of policies and procedures is a necessary tool for sound financial management providing the following benefits:

- **Public accountability and transparency** – Policies and procedures publicly document the Council's position on which it will base its decisions. They demonstrate the Council's commitment to sound financial management and establish transparency for audit purposes.
- **Ensuring a considered approach** – The formal adoption of carefully documented policies and procedures helps ensure that the Council's position on each issue has been properly considered, having regard to alternative approaches and the wider policy and statutory context.
- **Consistency of decision making** – By adopting clear Council policies and procedures a consistent basis for decision-making over time is established. While a Council can make a decision contrary to its adopted policy, it needs a deliberate decision to do so which helps to ensure that proper consideration has been applied.
- **Clear guidance for staff** – Explicit policies and procedures set out the required approach, responsibilities and processes for staff to properly administer the financial business of the Council in accordance with its wishes and consistent with statutory requirements and sound financial management practices. This in turn protects staff from allegations of financial mismanagement as long as the policies and procedures are followed.

What is the difference between a Council policy and a procedure?

Terminology used by different Councils, and more widely by other organisations, varies in the names used for different elements in the policy framework. Standard definitions are generally not widely adopted. While it would be simpler if all Councils used exactly the same terminology, it is more important that a Council is clear and consistent in its use of the terms.



In the Local Government context however a useful and basic distinction can be made between policies and procedures based on the respective responsibilities of the Council and the CEO / administration. One of the basic responsibilities of a Council is to set policy consistent with its strategic management plans for its area. Giving effect to those policies is then the responsibility of the CEO and administration, and this will normally involve setting clear and detailed procedures to be followed by staff.

- **Council Policy** – sets out the elected Council's position on an issue or set of issues to guide decision-making. It should be a higher level statement of direction – relatively short and concise. It should not include the type of detail normally found in procedures. It needs to be formally adopted by the Council. A suggested model format for a Council policy document is shown in Attachment 2. As noted further on in the paper however, a Council's Strategic Management Plans, Annual Business Plan and other strategic documents also contain key information supporting its financial policy framework.
- **Procedure** (also may be called operating guidelines) - sets out the specific staff responsibilities and processes required to implement a particular area of Council policy. Procedures can be as detailed as necessary to clearly specify what staff should do in each situation relevant to the policy. Procedures are not required to be adopted by Council, though they may be noted by Council when adopting the policy. They are essentially guidelines adopted by executive management to give effect to policy. So long as updates/revisions to procedures remain consistent with the adopted Council policy they can be made without Council approval. A suggested model format for a procedures document is shown in Attachment 3.

While this simple distinction gives a good basis for a sound financial policy framework it should be recognised that there will be exceptions, such as the following:

- Some procedures will be of such direct impact on ratepayers that it may be appropriate that they be endorsed by the Council.
- In some cases procedures will give effect to what may be called administrative policy statements – i.e. policy statements relating to aspects of administrative practice that are clearly responsibilities of the CEO rather than the Council (e.g. use of credit cards).

Such exceptions can be accommodated without undue difficulty in a robust and pragmatic policy framework.

What issues need to be covered in the set of financial policies and procedures?

The Financial Sustainability Review Board made specific recommendations for policy development in three major areas:

In relation to **revenue and financing policy** it reported that

“Few Councils appear to have developed or implemented a rigorous policy framework for funding their services and infrastructure, stating (for example) the role to be played by ‘user pays’ and how any grants shortfalls are to be covered for services provided through grants funding.”

In order to enhance the quality and transparency of the funding decision making process, Councils should adopt a comprehensive and ‘economic’ approach to funding decisions, with consideration being given to the linkage between service beneficiaries and the funding source for each service provided by a Council.”

The Review Board recommended:

“That each Council develops and publishes a ‘revenue and financing policy statement’ regarding the funding of both operating expenses and capital expenditures, along the lines of the statements required under law of Councils in New Zealand.”

In relation to **service levels and resource allocation policies** it reported that:

“Few Councils appear to have developed or implemented a policy framework clearly specifying their policies regarding the number and nature of services to be delivered and the methods for delivery.....”

Many Councils do not sufficiently define service levels and quality and quantity standards for the range of services they deliver, which makes it difficult to assess the efficiency and effectiveness with which services are being delivered.

Each Council’s definition of its service levels and quality standards should be clearly stated, for its range of services.

Each Council should state the roles and functions that it is prepared to adopt based upon its philosophical viewpoint, to create transparency in decision-making and among the service options to be validated by the community.”

The Review Board recommended:

“That each Council develops and publishes a policy framework clearly specifying its policies regarding the number and nature of services to be delivered and the methods for delivery. This framework should define service levels and quality and quantity standards for the range of services they deliver.”

In relation to **asset and liabilities management policies** the Review Board reported that:

“Under best practice approaches, Councils can be expected to define the services to be provided by each of its classes of infrastructure. They would also distinguish between capital spending on

- (a) replacement/renewal; and*
- (b) extension/expansion, and place greater emphasis upon long-term asset management plans, and the integration of these asset management plans with their long-term financial plans.”*

These policy areas are being substantially addressed through the subsequent legislative amendments requiring Council adoption and publication of an Annual Business Plan together with the requirements for a Long-term Financial Plan and Infrastructure and Asset Management Plan to form part of the Council’s suite of strategic management plans.

The Local Government Act 1999 (Section 49) also specifically requires that Councils must prepare and adopt policies on contracts and tenders, including policies on the following:

- (a) the contracting out of services; and
- (b) competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
- (c) the use of local goods and services; and
- (d) the sale or disposal of land or other assets.

Attachment 4 provides a checklist of all financial management issues that should be addressed by an adopted Council policy statement and by documented and authorised procedures.

An example of a useful approach to providing an easily accessible public summary of a Council's policy commitments for long-term financial sustainability is demonstrated in the 'Strategic Financial Parameters' adopted by Adelaide City Council in conjunction with, and underpinning, its Long-term Financial Plan. This is shown in Attachment 5.

What Council financial policies are required?

Having regard to the Inquiry Board's recommendations and Local Government Act requirements each Council should aim to at least have an adopted policy position on each of the following topics:

- **Governance.** This policy sets out the processes by which the Council is directed, controlled and held accountable. It encompasses authority, accountability, stewardship, leadership, direction and control exercised by the Council. The Governance policy formalises and makes clear and consistent the decision-making processes in the organisation. (See Financial Sustainability Information Paper 11 – 'Governance in Local Government' and 'Standards Australia Governance Handbook' (draft) available from the LGA web site).
- **Fraud and Corruption.** This policy should clearly set out the measures that Council has in place to prevent and, if necessary, deal with any fraud and corruption issues. (See 'Fraud and Corruption in Local Government in South Australia' available from the LGA's web site).
- **Whistleblower Protection.** This policy should clearly set out the (legislatively compliant) arrangements that Council has in place for individuals to raise concerns, in confidence, about possible corrupt or illegal conduct in financial reporting or other matters.
- **Service Levels and Resource Allocation.** This should clearly set out the roles and functions that the Council is prepared to adopt, the specific services that it will provide, the level of service and means of delivery.
- **Funding** (also known as Revenue and Financing). This should set out the Council's position on how it intends to pay for its services and infrastructure having regard to the sources of funds available and the beneficiaries of the expenditure.
- **Rating.** In light of the sensitivity of the Council's setting and administration of rates, a full and explicit policy detailing the basis on which the rate has been set, the concessions allowed and methods of payment is necessary. The legislation requires that this be included as part of the Council's Annual Business Plan.
- **Contracting Out and Competitive Tendering:** The Local Government Act requirement for policy statements on contracting out and competitive tendering may be addressed in the Service Levels and Resource Allocation policy however some Councils may prefer to adopt a separate policy document on these topics. (See Financial Sustainability Information Paper 7 – 'Service Delivery Framework including the Role of Shared Services'.)
- **Purchasing.** This policy should set out the Council's position in relation to all activities associated with the purchasing and payment for goods and services, including the use of

local services. It is essential to the probity of the Council's transactions. Councils may prefer to include this area within the Contracting Out and Competitive Tendering policy.

- **Assets Management.** This policy should set out the Council's standards for maintaining the condition of each class of asset and its intentions regarding enhancement of infrastructure. This policy will be supported by the documentation of the Council's Infrastructure and Asset Management Plan and Long-term Financial Plan. (See Financial Sustainability Information Paper 6 – *'Infrastructure and Asset Management'*.)
- **Sale of Council Property and Other Assets.** Similarly this policy should set out the Council's position in relation to all activities associated with the sale of its assets and is essential to the probity of the Council's transactions.
- **Treasury Management.** This policy should set out the way in which the Council's borrowings are raised and cash and investments are managed. It should also set out how the Council intends to manage its interest rate exposures. (See Financial Sustainability Information Papers 10 – *'Debt Management'*, and 15 – *'Treasury Management'*.)
- **Accounting.** This policy should set out a Council's significant accounting policies. It should make reference to Note 1 of the Model Financial Statements made available on the finance page of LGA's web site. (See the following link: [Local Government Association of South Australia - Finance - LGA.](#))
- **Delegations.** This policy supports Council's Governance policy and specifies the delegations made by Council.

Which financial procedures should be documented?

Supporting these Council policy statements, fully detailed procedures documents should be prepared, usually authorised by the CEO though some may be adopted by the Council, to provide clear guidance to staff regarding processes and responsibilities. The following topics should be covered.

General Financial Management

- Statutory Financial Reporting
- Budgeting Procedures
- External Audit
- Internal Audit
- Internal Financial Controls
- Fraud Prevention
- Accounting
- Accounts for Payment and Disbursements
- Payroll
- Goods and Services Tax
- Fringe Benefits Tax
- Bank Accounts and Banking Services
- System Backup
- Computer System Security

Debtors

- Receipt of Payments
- Debt Collection
- Provision for Doubtful Debts
- Bad Debts/Write Offs

Rates

- Administration of Rate Payments
- Administration of Rate Rebates and Concessions
- Sale of Land Due to Non Payment of Rates

Purchasing

- Tender Processes
- Quotations
- Delegated Authority for Purchasing
- Petty Cash
- Use of Credit Cards

Treasury

- Borrowings
- Investment

Asset Management

- Asset Accounting
- Depreciation

What are the issues for Councils?

Councils should have in place a comprehensive, explicit and carefully considered financial policy framework: essential for public accountability, transparency and consistency in Council decision making.

A Council should adopt a suite of financial policies, each clearly documenting its position on an issue or set of issues. These should be supported by a comprehensive set of documented procedures detailing the specific staff responsibilities and processes to be followed to give effect to the policies and ensure that sound financial management practices are in place.

Without such documented financial policies and procedures Councils are open to criticism, rightly or wrongly, that their financial management lacks transparency and is not as good as it could be. Demands for more stringent audit provisions further emphasise the need for an explicit, clearly documented, framework of policies and procedures.

Acknowledgements

The contribution of Mr Doug Hayes, Doug Hayes – Urban and Strategic Planning, in the preparation of this paper is acknowledged.

The development of this information paper has been assisted by funding from the Local Government Research and Development Scheme.

Attachment 1: Relevant provisions of the Local Government Act 1999

Section 49 provides that:

- (1) A council must prepare and adopt policies on contracts and tenders, including policies on the following:
 - (a) the contracting out of services; and
 - (b) competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
 - (c) the use of local goods and services; and
 - (d) the sale or disposal of land or other assets.
- (2) The policies must—
 - (a) identify circumstances where the council will call for tenders for the supply of goods, the provision of services or the carrying out of works, or the sale or disposal of land or other assets; and
 - (b) provide a fair and transparent process for calling tenders and entering into contracts in those circumstances; and
 - (c) provide for the recording of reasons for entering into contracts other than those resulting from a tender process.
- (3) A council may at any time alter a policy under this section, or substitute a new policy or policies (but not so as to affect any process that has already commenced).
- (4) A person is entitled to inspect (without charge) a policy of a council under this section at the principal office of the council during ordinary office hours.
- (5) A person is entitled, on payment of a fee fixed by the council, to a copy of a policy under this section.

Section 122 provides that:

- (1) A council must develop and adopt plans (which may take various forms) for the management of its area, to be called collectively the **strategic management plans**, which—
 - (a) identify the council's objectives for the area over a period of at least 4 years (the **relevant period**)

 - (ab) provide assessments that relate to the following matters (with particular reference to the relevant period):
 - (i) the sustainability of the council's financial performance and position; and
 - (ii) the extent or levels of services that will be required to be provided by the council to achieve its objectives; and
 - (iii) the extent to which any infrastructure will need to be maintained, replaced or developed by the council; and

 - (v) the council's proposals with respect to debt levels; and

- (vi) any anticipated or predicted changes in any factors that make a significant contribution to the costs of the council's activities or operations; and
 - (b) identify the principal activities that the council intends to undertake to achieve its objectives; and
 - (d) state the measures (financial and non-financial) that are to be used to monitor and assess the performance of the council against its objectives over the relevant period; and
 - (e) identify the means by which its activities are to be carried out and its objectives achieved; and
- *****
- (1a) A council must, in conjunction with the plans required under subsection (1), develop and adopt—
- (a) a long-term financial plan for a period of at least 10 years; and
 - (b) an infrastructure and asset management plan, relating to the management and development of infrastructure and major assets by the council for a period of at least 10 years,
- (and these plans will also be taken to form part of the council's strategic management plans).
- *****
- (4) A council may review its strategic management plans under this section at any time but must—
- (a) undertake a review of—
 - (i) its long-term financial plan; and
 - (ii) any other elements of its strategic management plans prescribed by the regulations for the purposes of this paragraph, as soon as practicable after adopting the council's annual business plan for a particular financial year; and
 - (b) in any event, undertake a comprehensive review of its strategic management plans within 2 years after each general election of the council.
- (4a) A council must, for the purposes of a review under subsection (4), take into account—
- (a) in relation to a review under subsection (4)(a)(i)—a report from the chief executive officer on the sustainability of the council's long-term financial performance and position taking into account the provisions of the council's annual business plan and strategic management plans; and
 - (b) insofar as may be relevant—any other material prescribed by the regulations.
- (5) A council may amend its strategic management plans or adopt new plans.
- (6) A council must adopt a process or processes to ensure that members of the public are given a reasonable opportunity to be involved in the development and review of its strategic management plans.
- (7) A council must ensure that copies of its strategic management plans under this section are available for inspection (without charge) and purchase (on payment of a fee fixed by the council) by the public at the principal office of the council.
- (8) A council must, for the purposes of this section, specifically declare which plans will constitute the strategic management plans of the council.

Section 123 provides that:

- (1) A council must have, for each financial year—
 - (a) an annual business plan; and
 - (b) a budget.
- (2) Each annual business plan of a council must—
 - (a) include a summary of the council's long-term objectives (as set out in its strategic management plans); and
 - (b) include an outline of—
 - (i) the council's objectives for the financial year; and
 - (ii) the activities that the council intends to undertake to achieve those objectives; and
 - (iii) the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives over the financial year; and
 - (c) assess the financial requirements of the council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; and
 - (d) set out the rates structure and policies for the financial year; and
 - (e) assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the council; and
 - (f) take into account the council's long-term financial plan and relevant issues relating to the management and development of infrastructure and major assets by the council; and
 - (g) address or include any other matter prescribed by the regulations.

- (7) Each budget of a council must—
 - (a) be considered in conjunction with the council's annual business plan (and must be consistent with that plan, as adopted); and
 - (b) be adopted by the council after the council has adopted its annual business plan.
- (8) An annual business plan and a budget must be adopted by a council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.

Attachment 2: Suggested Model Council Policy Format and Content

For an example model policy see Financial Sustainability Information Paper 15 – 'Treasury Management'

POLICY NAME: *[Insert Policy Name]*

Approved by: *[Council or Committee]*
[Date]

Subsequent Amendments: *[Date]*
[Authorisation]
[Reference to aspects amended]

Review Date: *[Date of next review]*

Document Owner: *[Position responsible for maintenance of the document]*

CONTENT

1. INTRODUCTION

[Outline context, scope and purpose of the policy.]

2. POLICY OBJECTIVES

[Clearly state what the policy is intended to achieve.]

3. POLICY STATEMENTS

[Clearly state the position of the Council in relation to each relevant aspect of the issue.

Concise explanatory notes can be included with each policy statement if necessary to assist future review should circumstances change.]

4. LEGISLATIVE REQUIREMENTS AND CORPORATE POLICY CONTEXT

*[Identify relevant legislative requirements.
Identify related Council Policies and Strategies]*

Attachment 3: Suggested Model Procedures Format and Content

Since procedures are primarily internal operational documents – effectively forming a staff manual – a more flexible approach can be taken to formatting though consistency in presentation will help clarity and ease of use. Procedures should be as detailed as necessary to clearly set out responsibilities and processes required of staff.

PROCEDURES TITLE: *[Insert Procedure Name]*

Policy To Which Procedure
Relates (if applicable): *[Insert Policy Name]*

Approved by: *[Date]*

Review Date: *[Date of next review]*

Document Owner; *[Position responsible for maintenance of the procedure]*

CONTENT

1 INTRODUCTION

[Outline scope of procedure and legislative and corporate requirements]

2 POLICY CONTEXT

[Include relevant Council policy reference or administrative policy statement if no Council policy is required.]

3. PROCEDURES

[Outline procedures/guidelines for effective implementation of policy.]

4 REVIEW

[Set out procedures/timelines for review.]

Attachment 4: Financial Policy Framework Checklist

Council Financial Policies Checklist

Each of the following issues should be addressed by an explicitly adopted Council policy statement, even if separately referenced as part of the Council's Strategic Management Plans or Annual Business Plan documentation.

Issue	Separate Council Policy Document Adopted
Governance	
Fraud and Corruption	
Whistleblower Protection	
Service Levels and Resource Allocation	
Funding	
Rating	
Contracting Out and Competitive Tendering	
Purchasing	
Assets Management	
Sale of Council Property and Other Assets	
Treasury Management	
Accounting	
Delegations	

Financial Procedures Checklist

Supporting these Council policy statements, fully detailed procedures documents should be prepared, usually authorised by the CEO, though some may be adopted by the Council, to provide clear guidance to staff regarding processes and responsibilities. The following checklist of topics should be covered.

	Procedures documented and authorised
Statutory Financial Reporting	
Budgeting Procedures	
External Audit	
Internal Audit	
Internal Financial Controls	
Fraud Prevention	
Accounting	
Accounts for Payment and Disbursements	
Payroll	
Goods and Services Tax	
Fringe Benefits Tax	
Bank Accounts and Banking Services	
System Backup	
Computer System Security	
Receipt of Payments	

	Procedures documented and authorised
Debt Collection	
Provision for Doubtful Debts	
Bad Debts/Write Offs	
Administration of Rate Payments	
Administration of Rate Rebates and Concessions	
Sale of Land Due to Non Payment of Rates	
Tender Processes	
Quotations	
Delegated Authority for Purchasing	
Petty Cash	
Use of Credit Cards	
Borrowings	
Investment	
Asset Accounting	
Depreciation	

Attachment 5: Adelaide City Council Strategic Financial Parameters

The following Strategic Financial Parameters were endorsed by Adelaide City Council in June 2006 as an important part of the Council's medium term financial framework operating in conjunction with the Long-term Financial Plan to promote financial sustainability.

Financial Sustainability - *Can we afford it in the long term?*

Adelaide City Council will operate in accordance with a sustainable Long-term Financial Plan whereby:

- (i) continuation of the Council's present spending and funding policies;
- (ii) likely developments in the Council's revenue-raising capacity and in the demand for and costs of its services and infrastructure; and
- (iii) normal financial risks and shocks,

altogether are unlikely to necessitate substantial increases in Council rates (or, alternatively, disruptive service cuts).

Council Role - *Should we be involved? To what extent?*

Before committing to new activities and projects and when reviewing existing activities, consideration will be given to Council's appropriate role in funding and delivery (e.g. advocate for funding by a more appropriate agency, part funder or owner), whether it is within Council's core responsibility and expertise and the most effective use of available funds.

Program Stability - *Maintaining Council programs and services*

Council will maintain its high priority expenditure programs, both operating and capital as well as basic service provision, while seeking efficiency improvements in line with appropriate benchmarks.

Target: Achieving targeted "Measures of Progress" with regard to Strategic Management Plan objectives

Infrastructure Management - *Are we spending enough on existing assets?*

Renewal and replacement capital expenditure will be based on long-term asset management plans which consider the optimal timeframe for asset replacement based on whole of life costing. Total capital expenditure shall be managed in a way which avoids disruptive adjustments to activities, programs and revenue raising efforts.

Target: Asset Replacement Expenditure (on average) = Optimal level for such expenditure shown in Council's asset management plans (or depreciation in the absence of asset management plans for some asset classes)

Rating Stability - *Smoothing the impact on our ratepayers*

Rating charge predictability and stability will be achieved for existing levels of service to avoid volatility and adverse future rates shocks. Methods of minimising the volatility of rate changes for individual land use categories will be pursued within legislative limits.

Target: Total General Rates Growth = On average, no greater than inflation + 2% (excluding new development)

Funding - *Who benefits and therefore who should pay?*

The amount of funding from available sources (including user charges) will be determined with regard to benefits to users, the full cost of services, market rates, fairness, social and behavioural considerations as well as Strategic Management Plan objectives.

Target: User Charges Growth = On average no greater than inflation + 5% (for each classification of user charge)

Property Portfolio - *Maintaining revenue generating assets*

The portfolio will assist in the achievement of Strategic Management Plan objectives. Council will maintain or increase the real value of both net returns and net asset values of the portfolio over the long term.

Target: Increase in Total Portfolio Net Asset Market Value ≥ Inflation over a 5 year period

Target: Increase in Total Portfolio Net Revenue ≥ Inflation over a 5 year period

Fee Based Facilities Contribution - *Maintaining returns*

Fee Based Facilities will operate on a commercial basis subject to market conditions, strategic objectives and agreed Community Service Initiatives (CSIs). Revenues and costs between Council services will be accounted for on an "arms length" basis. Net returns and CSIs will be measured and reported regularly.

Target: Growth in Net Fee Based Facilities Contribution ≥ Inflation (for each facility and in total for all facilities)

Borrowings and Financial Position - *When should we borrow? How much can we borrow?*

Borrowings will be used to promote intergenerational equity within Council's prudential limits and capacity to repay. Net Financial Liabilities and associated net interest costs will be maintained within target.

Target: Net Financial Liabilities (30 June) < 80% of Own Source Revenue

Intergenerational Equity - *Is there fairness between generations of ratepayers?*

Council will promote fair sharing in the distribution of Council resources and the attendant taxation between current and future ratepayers in terms of achieving an appropriate operating surplus each year (except in exceptional circumstances).

Target: Operating Surplus > Zero