

# ***Financial Governance***

## *City of Salisbury Approach*

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Showcasing Local Government  
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## *What is the problem?*

# The Legacy of Local Government Financial Management Practices

- Emphasis on cash accounting
- Poor reporting standards
- Lack of commercial imperatives
- Lack of understanding of real financial goals
  - Greatly assisted by Sustainability Report

# Salisbury's LT Financial Plan

- **10-year plan**
  - First adopted 1999
  - Revised annually
- **Central planks of our plan**
  - Achieve an operating surplus, before capital revenues (including depreciation) by 2013  
**= Sustainability**
  - Debt Servicing ratio 10 - 12% by 2013  
**= Financial Health**
  - Average residential rate is within the lower half of metropolitan Adelaide  
**= Acceptable taxation**



# Salisbury Strategy: Key Elements

1. **Understanding our assets**
  - Asset Management Planning
  - Connection to depreciation
2. **Reducing debt**
  - As the City matures
3. **Sale of non-performing assets**
  - With funds used to retire debt
4. **Annual review of fees and charges**
  - Commercial realism
  - Who pays for services?



# Salisbury Strategy: Key Elements

## 5. Three-year budget

- Commitment to 3 year capital works and operating budget

## 6. Efficiency and effectiveness

- Quality management; program reviews; internal audit; benchmarking; risk management; business planning

## 7. Risk & Audit Committee

- Senior management and external expert committee to oversight risk management and internal audit



# Salisbury Strategy: Key Elements

## 8. Inter-generational equity

- Today's consumption of services and assets should be funded by today's ratepayers and not deferred to future generations
- New services should be fully funded

## 9. Reporting

- Business plans; balanced scorecard; financial reports (management/Council)

## 10. Communicating

- Ensuring that ratepayers understand the financial context
- ...and that Council is aware of the views of ratepayers



# Conclusions

- Sound financial governance is not complex
- But it does require
  - a commitment to long term planning
  - the understanding of long term financial obligations of the Council and
  - the impact of today's decisions on that picture