

## STRATEGIC BUDGET POLICY

### Policy Objective

To establish clear principles and guidelines to Council and Town staff for strategic financial management to assist in:

- Robust, transparent Long Term Financial Planning (LTFP) processes;
- Responsible and accountable budgeting;
- Responsible stewardship of the Town's assets, ensuring the resources of the Town are well protected and used efficiently to accomplish the objectives of the Town;
- Providing intergenerational equity;
- Prudent rate setting that reflects community's needs and aspirations, in the context of the funding commitments of the LTFP;
- Developing sustainable non-rates income streams; and
- Ensuring fees and charges recover actual and reasonable costs unless there are valid reasons not to do so, in terms of policy or community expectations.

### Policy Scope

This policy sets out the parameters for the development of the Town's LTFP, Annual Budgets and the setting of Fees and Charges in accordance with the Local government Act 1995 and Local Government (Financial Management) Regulations 1996.

This policy will be reviewed periodically at the early stage of the annual planning and budgeting process to ensure it is appropriate and relevant to the current economic climate and compliant with all relevant legislative requirements.

### Policy Statement

The Town must plan for the current and future needs of its community in a socially, culturally, environmentally, and financially sustainable manner, through integration of Council's Strategic Community Plan (SCP), Corporate Business Plan (CBP), LTFP and Annual Budgets.

#### 1. Stewardship and Accountability

- 1.1 The Town must ensure it fulfils all regulatory, legal, and budgetary reporting requirements imposed by Federal and State governments as well as meeting accounting standards and guidelines.

- 1.2 The Town will have a financial management system consisting of:
- a) Accurate and dependable accounting with effective internal control procedures;
  - b) Transparent reporting with informed analysis; and
  - c) Responsible budgeting and long-term financial planning.
- 1.3 To be financially accountable, the Town must adopt and follow sound financial and risk management policies and practices, make good management decisions and plan for the future of the Town, taking a balanced approach to current and future revenue and expenditure.
- 1.4 The Town acknowledges the importance of financial integrity and where appropriate, this policy is supported by relevant management procedures.

## **2. Long Term Financial Planning (LTFP)**

- 2.1 The LTFP will be formulated to implement the strategies and objectives outlined in the Town's SCP, CBP, Asset Management Plans (AMPs), Workforce Management Plan and other relevant informing strategies and resourcing plans.

## **3. Intergenerational Equity**

- 3.1 Intergenerational equity means the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life (more evenly spreading the financial burden against current and future ratepayers who will enjoy the benefits).
- 3.2 The Town when allocating funds for strategic reserves or future borrowing will consider the needs of the community and the requirements of other key stakeholders in aiming to ensure the full cost of infrastructure and service delivery, including key outcomes outlined in the SCP and CBP, are equitably met by all generations of ratepayers and community where possible.
- 3.3 The key tools to provide for intergenerational equity are the LTFP and annual budgeting processes.

## **4. New Initiatives**

- 4.1 All new operational or capital projects will be evaluated against Council's SCP, CBP and the Asset Management Policy supported by AMPs.
- 4.2 Project proposals must be supported by a business case commensurate with the scale and complexity of the project, including a cost-benefit analysis, risk analysis and ongoing or recurring costs for the life of the project or asset, to clearly demonstrate fulfilment of financial policy objectives.
- 4.3 For projects spanning multiple financial years, once Council has committed to the project by adopting the annual budget for year one of the project and included the budget for subsequent years of the project in the LTFP, the presumption is that Council will continue to fund the project (including the annual ongoing operational costs) via the annual budget allocations until conclusion of the project.
- 4.4 The Town will advocate for grants and partnership opportunities and seek opportunities to collaborate with neighbouring councils, WALGA and EMRC in pursuit of its strategic and operational sustainability objectives..

## **5. Funding Strategy**

### **5.1 Reserves**

5.1.1 Reserves shall be reviewed annually as part of the budget process.

5.1.2 Cash-backed reserves will be established and maintained for renewal or replacement of ageing assets.

5.1.3 The Town will budget for annual growth in asset reserves of a minimum of 2%, excluding proceeds from the sale of assets.

5.1.4 Specific purpose reserves may be created for significant projects identified in the Town's LTFP or AMPs.

5.1.5 Untied distributions from the EMRC will be allocated to the Town's, Natural Area Reserve.

### **5.2 Borrowing**

5.2.1 Borrowing will be considered as a valid funding source for projects that contribute towards or achieve strategic goals identified in the Town's SCP or CBP.

5.2.2 The criteria for borrowing will be driven by the economic climate and balance sheet capacity of the Town with due regard to maintaining adequate debt service cover.

5.2.3 Borrowing proposals must be supported by a business case commensurate with the scale of the borrowing, including a cost-benefit analysis, risk analysis and whole of life costing, to clearly demonstrate fulfilment of financial policy objectives.

### **5.3 Disposal of Assets**

5.3.1 As part of the annual budget process the Town's assets will be reviewed and any proceeds from the disposal of assets will be applied to:

- a) Reduce any debt associated with the asset acquisition or upgrade since the original purchase or construction;
- b) Offset the cost of replacement assets required for the Town's operations, and;
- c) Specific Cash Backed Reserves.

### **5.4 Service Levels**

5.4.1 Services levels provided by the Town will be continuously improved through regular assessment and review, to provide for the most appropriate allocation of resources, considering best value for money, efficiency and effectiveness, and appropriate quality standards.

### **5.5 Fees and Charges**

5.5.1 Fees and charges are set as part of the annual budget process. Fees and charges are established based on legal requirements in addition to Council resolutions and policy.

5.5.2 The Town adopts a "user-contributes" approach considering community service level expectations and the users' capacity to pay. Additional factors that are considered when reviewing fees and charges include:

- a) Purpose of the service;
- b) Full cost of the provision of the goods and services;
- c) Market rates and public demand;
- d) Service level changes;
- e) Legislative changes;
- f) Economic changes; and
- g) Desire to deliver community outcomes that may benefit distinct groups or individuals.

## 5.6 Rate Setting and Service Charges

5.6.1 The Town's rate setting will be based on a general rate (rate in the dollar) increase equivalent to the Perth annualised CPI plus a minimum of 2 per cent, to allow for maintenance and development of the Town's assets including reserve allocations for future asset replacements/upgrades.

5.6.2 Differential rating may be adopted to provide fairness, consistency, transparency, efficiency and equity for the community.

5.6.3 Specified area rates may be adopted where special, increased or upgraded services are delivered.

5.6.4 Rates on vacant land shall be set at levels that encourage development, to stimulate growth and improve the vibrancy of the Town.

5.6.5 Service charges are to be considered for a defined part of the district to enable provision of current or future prescribed work, service, or facility in relation to the land.

## 6. **Funding Priority**

6.1 The Town recognises the competing demands for limited financial resources and endeavours to allocate resources in compliance with the objectives of this policy.

6.2 Prioritisation of funding allocation will be based on the following hierarchy:

- a) Risk mitigation activities or projects that are required to reduce extreme or high-level risks to, as far as practicable, an acceptable level;
- b) Activities requiring compliance with statutory obligations or standards;
- c) Renewal, upgrade, or maintenance of existing infrastructure assets as supported by AMPs and related project prioritisation processes;
- d) Current operational funding for programs, unless the operational need for any of those programmes has been superseded;
- e) Maintenance of adequate financial reserves – both operational and strategic to meet current and future (planned) needs;
- f) New programmes or assets as supported by AMPs and other strategic plans and related project prioritisation processes; and
- g) Discretionary projects or activities driven by community desire with due consideration to desired service levels or amenities provided.

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