

F18 Long Term Financial Planning Policy

Introduction

The objective of this Policy is to establish a strategic financial framework to guide long term financial planning and its connection to the annual budget process. This policy is aimed at ensuring that the Shire has sufficient and cost-effective funding to achieve its long term and short term operating and capital budgets.

Application

The purpose of this policy is to inform the processes required to adhere to all legislative, regulatory and policy imperatives to develop a Long-Term Financial Plan.

Policy Intent

To ensure that all long-term financial planning is based on a structured and consistent methodology in order to ensure long term financial sustainability of the Shire.

1. Long Term Financial Planning

The Long-Term Financial Plan sets out the Shire's estimated expenditure over a ten-year period, based on community goals and objectives, as well as resources necessary to achieve this. The Shire of Toodyay will prepare/update annually a long-term financial plan that includes, but is not limited to, the following components:

- (a) Major underlying assumptions;
- (b) Projections of operating revenues and expenses for at least the next ten years;
- (c) Expected rate yield and percentage change from previous periods;
- (d) Major capital outlays separated into components of new and renewal;
- (e) Variations in net debt levels;
- (f) Changes in the value of reserve balances; and
- (g) Sensitivity analysis (changes most likely to affect the Plan).

Every two/three years, the Shire will include, as a component of the Long-Term Financial Plan, a strategic financial section which consists of at least the following:

- (a) Asset Management Planning for:
 - (i) Road infrastructure;
 - (ii) Drainage;
 - (iii) Major buildings;
 - (iv) Major leisure facilities; and
 - (v) Major commercial activities (including airport and land development).
- (b) An analysis of the impact of future changes in services levels;
- (c) An explanation of the strategic financial direction and rationale underpinning the Plan;
- (d) Details of strategic initiatives contained within the Financial Plan; and
- (e) Strategic financial parameters and targets.

2. Planning Principles

Long Term Financial Planning is based on the following principles:

- (a) Future financial viability of the Shire;
- (b) Optimal revenue collection, taking into consideration the socio-economic environment;
- (c) Optimal utilisation of grant funding;
- (d) Continuous improvement and expansion in the quality of service delivery;
- (e) Ensuring asset management is sustainable; and
- (f) Borrowing only for substantial long-term assets at affordable levels.

3. Informing Documents

The Long-Term Financial Plan shall be compiled using the following informing documents:

- (a) Community Strategic Plan;
- (b) Corporate Business Plan;
- (c) Asset Management Plans;
- (d) Workforce Plan; and
- (e) Annual Budget.

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4. Annual Budget

The Annual Budget is to be developed from a base being the first year of the Council's Adopted Long-Term Financial Plan.

The Long-Term Financial Plan will be in a form that is consistent with Regulation 22 of the *Local Government (Financial Management) Regulations 1996*.

5. Annual Review

The Long-Term Financial plan must be reviewed on an annual basis as part of the annual preparation of the budget and updated with at least the following information:

- (a) any direct change in financial status or internal factors, other than previously predicted, which may influence the financial status and viability of the Shire;
- (b) any changes in the economic and socio-economic environment, other than previously predicted, which may influence the financial status of the Shire;
- (c) any changes in the revenue base or composition which may have an impact on the financial viability of the Shire;
- (d) any changes in the community priorities as previously identified; and
- (e) any factors which may have an impact on the ability to implement previously identified projects.

Reference Information

Related Legislation	<i>Local Government Act 1995 (WA)</i> <i>Local Government (Financial Management) Regulations 1996</i>
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