

Strategic Budget Policy



Responsible Division	Corporate & Strategy
Responsible Business Unit/s	Finance
Responsible Officer	Director Corporate and Strategy
Affected Business Unit/s	All Branches
Document Ref	4281624

Purpose

To establish clear principles and guidelines for the City of Bayswater (the City) that will deliver:

- Elected Members strategic financial management directives;
- Community engagement;
- Robust and transparent long-term financial planning;
- Intergenerational equity;
- Good stewardship of the City's assets;
- Sustainable, fully costed fees, charges for services and goods sold;
- Asset sustainability (maintenance, renewal, replacement and new);
- Prudent rates setting that reflects the community's needs and aspirations;
- Sustainability in non-rates and non-fees & charges income.

Policy Statement

The City acknowledges that it must plan for the current and future needs of the community in a socially, culturally, environmentally and financially sustainable manner. This will be achieved through Council's Strategic Community Plan (SCP), Corporate Business Plan (CBP) and operationally via Branch Plans. The City also acknowledges that the budget must be embraced by all stakeholders and with this in mind must be developed in a collaborative fashion.

The Policy is founded on the following Principles:

- Principle 1:** Recurring income must exceed recurring expenditure.
- Principle 2:** Each of the City's service delivery activities is to be cost and quality competitive whilst controlling City operating costs.
- Principle 3:** Asset renewal must have higher priority than the creation of new assets.
- Principle 4:** 1% of Rates Revenue to be transferred to the Major Capital Works Reserve annually.
- Principle 5:** New income-producing opportunities are to be identified and returns on Council commercial property holdings are to be optimized.

- Principle 6:** The uses of debt, internal borrowing and private financing are to be considered where appropriate.
- Principle 7:** The Department of Local Government, Sport and Cultural Industries' key performance indicators are to be met (refer mycouncil.wa.gov.au).

Management will use its best endeavours to present the budget to Council for adoption by the end of June each year.

Scope

This Policy applies in the development of the City's budgets and to assist Council in adopting the budget.

The City acknowledges the importance of financial integrity and community engagement. Where appropriate this Policy is supported by relevant Management Procedures.

1. Annual Budgeting Strategy

In order to achieve long-term financial sustainability the City will deliver a balanced or surplus budget and achieve the key performance indicators documented on mycouncil (mycouncil.wa.gov.au). The budget will be produced using the principles of zero-based budgeting.

2. Participatory Budgeting

The budget will be prepared in a two-yearly participatory cycle where year one will involve full community engagement and consultation, and year two will be informed from the data collected during the year one engagement and consultation process.

3. Long-Term Financial Planning (LTFP)

The LTFP will be formulated to address the strategies and deployment objectives outlined in the City's SCP, CBP, Asset Management Strategic Plan (AMSP), Workforce Management Plan and relevant informing strategies and resourcing plans.

4. Management of City's Reserves

Cash-backed specific purpose reserve accounts will be established to help mitigate financial risk and, where appropriate, spread the financial burden. The purpose for each reserve will be documented to ensure the use of funds is transparent.

5. Capacity to Pay

Council will consider ratepayers' capacity to pay as part of budget development with influencing factors such as the prevailing economic climate being taken into account.

6. Intergenerational Equity

- (a) The City will engage with the community, State and Federal governments to ensure the full cost of infrastructure and service delivery are equitably met by all generations of ratepayers.
- (b) Intergenerational equity will be achieved through the City's LTFP and Annual Budgeting processes.

7. New Initiatives

- (a) All operational or capital projects will be evaluated against Council's SCP and AMSP, supported by the funding priority (Section 9 of this Policy).
- (b) Project proposals must be supported by a business case, including a cost-benefit analysis, risk analysis and whole-of-life costing to clearly demonstrate the fulfilment of financial policy objectives.
- (c) The City will advocate for grants and partnership opportunities and, where possible, collaborate with neighbouring councils.

8. Funding Strategy

- (a) Borrowings
 - (i) Borrowings may be considered in accordance with Council's adopted Borrowing Policy as a valid funding source for projects that contribute towards or achieve strategic goals identified in the City's SCP and have an identified source of revenue or utility.
- (b)
 - (i) The criteria for borrowing will be driven by the economic climate and the City's balance sheet capacity; and
 - (ii) Cost/benefit analysis of borrowings will be required to be undertaken alongside assessment and alignment to the City's strategic asset management plans and strategies.
- (c) Sale of Assets

Proceeds from the sale of assets (Capital Revenue) will be applied to:

 - (i) Reduce any debt associated with the asset acquisition or upgrade since the original purchase or construction;
 - (ii) Offset the cost of replacement of similar classes of assets required for the City's operations arising from identified asset sale; and/or
 - (iii) Municipal Funds or specific Cash-Backed Reserves.

Reflecting responsible financial management and stewardship, the proceeds from the sale of assets are not to be used to offset operating costs.
- (d) Levels of Service

Services levels will be assessed and reviewed to achieve the best value for money and appropriate quality.
- (e) Fees & Charges
 - (i) The City acknowledges the requirements of the National Competition Policy and ensures compliance by regularly reviewing its fees, charges and services to ensure that they do not create or have the potential to create unfair competition with the private sector.
 - (ii) The City adopts a "user-contributes" approach considering community expectation of the level of services and capacity to pay.

- (iii) Additional factors that are considered when reviewing fees and charges include:
 - I. Regulatory provisions – Sections 6.17 and 6.38 of the *Local Government Act 1995*;
 - II. Full cost of the provision of the goods and services;
 - III. Benchmarking against other Local Governments' pricing;
 - IV. Market rates;
 - V. Optimisation of return on Council commercial property;
 - VI. Perth CPI; and
 - VII. Level of the City's subsidy.
- (f) Rate Setting
 - (i) The City's rating strategy will be developed on a general rate (rate in the dollar) increase of Perth CPI and an additional amount based on meeting community service levels and expectations as identified and approved through the LTFP process;
 - (ii) Where applicable differential rates and specified area rates will be exercised by Council to meet specific community needs and to ensure fairness, consistency, transparency, efficiency and equity for the community.
- (g) Cash-in-Lieu Funding

Cash received in-lieu for public open space and car parking is to be used to fund capital projects relevant to the defined catchment.
- (h) Rates Waiver – Mertome Village

Council to consider during its annual budget deliberations the application of a rates waiver equal to the amount payable following the application of pensioner/senior discounts for all Existing Residents of Mertome, noting that Existing Residents are those residents that were in occupancy at the time of Fresh Fields Management (Mertome Village) Pty Ltd's acquisition of Mertome Village on 1 April 2019.

9. Funding Priority

- (a) The City recognises the competing demands for limited financial resources and will endeavour to allocate resources in compliance with the objectives of this Policy;
- (b) Prioritisation of funding allocation will be based on the following:
 - (i) Activities requiring compliance with new statutory obligations or standards;
 - (ii) Risk mitigation activities or projects that are required to reduce extreme or high-level risks to as far as practicable, an acceptable level;
 - (iii) Renewal, upgrade or maintenance of existing infrastructure assets as supported by the Strategic Asset Management Plans and related projects prioritisation processes;
 - (iv) Current operational funding for programs, unless the operational need for any of those programs has been superseded;
 - (v) New programs or assets as supported by the Strategic Asset Management Plans and related projects prioritisation processes; and
 - (vi) Council decisions for programs and projects based on the current service levels required by the community or advised by City staff.

Definitions

DEFINITIONS: Any definitions listed in the following table apply to this document only.

Intergenerational Equity

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).

Financial Sustainability

The financial capacity to deliver the current and forecasted level of services demanded by the community.

Whole of Life Cost

Refers to the total net cost incurred when acquiring goods or services and is made up of all initial procurement costs, operating and maintenance costs, disposal costs and termination

Related Legislation

- The *Local Government Act 1995*;
- The *Local Government (Financial Management) Regulations 1996*;
- Australian Accounting Standards Board (AASB) Standards;
- Western Australian Local Government Accounting Manual;
- Department of Local Government and Communities Rating Policy Differential Rates (s.6.33) August 2013; and
- National Competition Policy.

Related Documentation:

This Policy is supported by the following policies, procedures, documents and delegations:

1. Loan Borrowing Policy
2. Investment Policy
3. Asset Management Strategic Plan 2019-2029
4. Workforce Plan 2017-27
5. Strategic Community Plan
6. Corporate Business Plan
7. Long-Term Financial Plan

Relevant Delegations

Risk Evaluation

Council Adoption	28 January 2020
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Review/Modified	26 May 2022
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Review/Modified	31 May 2022
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Review/Modified	28 June 2022
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