

Draft Orders under Section 70F of the *Local Government Act 1993*

Long-Term Financial Management Plan

1. A long-term financial management plan is to:
 - (a) express, in financial terms, the activities the council proposes to undertake over the longer term to achieve its financial management strategies, asset management policies, asset management strategies and the objectives of its strategic and annual plans;
 - (b) specify expected revenues and expenses for each year of the plan including asset management requirements identified in the long-term strategic asset management plan;
 - (c) be integrated with the council's strategic plan, long-term strategic asset management plans, asset management policy, asset management strategy and financial management strategy;
2. A long-term financial plan is to include -
 - (a) a narrative overview of the objectives and intent, including summary level information based on financial statements prepared on an accrual basis;
 - (b) a statement of comprehensive income including estimates for:
 - a. operating revenue;
 - b. operating expenses;
 - c. operating surplus/(deficit);
 - d. net surplus/(deficit); and
 - e. comprehensive result;
 - (c) a balance sheet including estimates for:
 - a. current and non-current assets;
 - b. current and non-current liabilities;
 - c. net assets; and
 - d. equity including reserves;
 - (d) a cash flow statement including estimates of:
 - a. receipts, payments and net cash from operating activities, including separate estimates in respect of renewal and new /upgrade capital expenditure;
 - b. receipts, payments and net cash from investing activities;
 - c. receipts, payments and net cash from financing activities including loan borrowings;

- d. net increase/(decrease) in cash held;
 - e. cash and cash equivalents at beginning of period; and
 - f. cash and cash equivalents at end of period.
- (e) a description of the financial management strategies to be adopted by the council, including financial targets and their rationale. The financial management strategies are to include strategies related to revenue, investments, borrowings and capital expenditure and make specific reference to strategies to achieve an operating surplus position, a funded renewal capital expenditure program and an appropriate cash position;
- (f) a comparison of projected financial performance against appropriately determined targets for financial indicators including those specified in Ministerial Orders under section 84 (2A) for each financial period included in the long-term financial plan;
- (g) all assumptions used in the development of the estimates; and
- (h) key sensitivity analyses.
3. A long-term financial management plan is to be updated annually following the adoption of the audited financial statements and the annual budget.

Financial Management Strategy

1. A financial management strategy is to:
- (a) provide direction and context to the council for decision-making regarding the allocation, management and use of council financial resources;
 - (b) set the parameters within which the council agrees to operate in order to maintain accepted financial outcomes with measurable financial targets;
 - (c) be integrated with the council's strategic plan and asset management strategy and annual budgeting processes; and
 - (d) guide the development of the council's long-term financial management plan.
2. A financial management strategy is to include -
- (a) a narrative overview of purpose and intent;
 - (b) financial principles that guide determination of the financial management strategies;
 - (c) key financial strategies to be employed;
 - (d) financial aims and targets; and
 - (e) financial projections.

Long-Term Strategic Asset Management Plan

1. Long-term strategic asset management plans are to cover the following asset classes:
 - (a) roads, bridges (including culverts) and traffic infrastructure;
 - (b) stormwater;
 - (c) buildings; and
 - (d) any asset class with a total value of 5% of the total asset base of the council.
2. A long-term strategic asset management plan is to:
 - (a) provide critical information about assets, including capital expenditure requirements for renewing, upgrading and extending assets over the longer term; and
 - (b) be integrated with the council's strategic plan, asset management policy, asset management strategy, long-term financial management plan and financial management strategy.
3. A long-term strategic asset management plan is to include -
 - (a) a narrative overview, including the definition of classes and sub-classes covered in the plan and the quantitative data to be presented in respect of the asset classes and sub-classes;
 - (b) the current expected or required service levels for the included assets;
 - (c) the actual service levels being achieved for the assets;
 - (d) future asset requirements associated with strategic or annual plans and capital works programs;
 - (e) known or possible areas for expansion including the asset classes and potential acquisition dates, cost estimates and impact on service levels, asset lifecycle and financial considerations;
 - (f) lifecycle management and financial considerations including:
 - I. useful life;
 - II. valuation of each asset class and sub-class;
 - III. maintenance activities;
 - IV. renewal/replacement plan;
 - V. acquisition;
 - VI. disposal; and

VII. risk management.

(g) details of the standards and guidelines used to make decisions on asset management; and

(h) areas for improvement and monitoring including, identification of any known issues with the quality of the data, forecasts and/or estimates, actions to mitigate the known issues and a commentary on the reliability of the estimates contained within the plan.

4. Long-term strategic asset management plans are to be updated annually following the adoption of the audited financial statements and the annual budget.

Asset Management Strategy

1. An asset management strategy is to:

(a) guide the planning, construction, maintenance and operation of the infrastructure essential for the council to provide services to the community in a financially sustainable manner;

(b) guide the implementation and documentation of asset management practices, plans, processes & procedures within the council;

(c) be linked with the council's asset management policy;

(d) be integrated with the council's strategic plan, financial management strategy and annual budgeting processes; and

(e) guide the development of the council's long-term strategic asset management plans.

2. An asset management strategy is to include:

(a) an outline of current assets and the services provided by those assets;

(b) an outline of management prescriptions applied to all assets;

(c) a description of future asset requirements and demands for new or replaced assets;

(d) detail on asset management practices employed by the organisation;

(e) adopted asset management strategies;

(f) an asset management improvement plan detailing a program of tasks to be completed and resources required to achieve minimum 'core' level of asset maturity and competence;

(g) an outline of how council assets will meet the service delivery needs of its community into the future; and

(h) detail on how the councils asset management policies are to be achieved;

Asset Management Policy

1. An asset management policy is to -
 - (a) define the council's vision and service delivery objectives for asset management;
 - (b) be integrated with the council's strategic plan, asset management strategy, long-term strategic asset management plan, long-term financial management plan and financial management strategy;
 - (c) define asset management roles, responsibilities and reporting framework;
 - (d) identify processes for meeting training needs in financial and asset management practices for councillors and staff.
 - (e) Include the adoption of whole-of-life costing combined with disciplined performance measurement;
 - (f) clearly articulate the principles and financial implications upon which decisions relating to assets and their performance will be based.

Draft Orders under Section 84 (2A) of the *Local Government Act 1993*

Financial Management Indicators

The following financial management indicators are to be reported on as part of Council Financial Statements.

1. Operating surplus

Operating surplus is defined as the difference between day-to-day income and expenses for the period.

Operating surplus to be calculated as operating income (excluding amounts received specifically for new or upgraded assets and physical resources received free of charge) less operating expenses for the reporting period.

2. Operating surplus ratio

Operating surplus ratio is defined as the percentage by which the major controllable income source plus operating grants varies from day to day expenses.

Operating surplus ratio is calculated as Operating surplus (or deficit) divided by general and other rate income and operating grants.

3. Net financial liabilities

Net financial liabilities are defined as the entity owed to others less money held.

Net financial liabilities are to be calculated as total liabilities less financial assets (cash and cash equivalents plus trade and other receivables plus other financial assets).

4. Net financial liabilities ratio

The net financial liabilities ratio is defined as the significance of net amount owed compared with the period's income.

The net financial liabilities ratio is to be calculated as net financial liabilities divided by operating income.

Asset Management Indicators

The following asset management indicators are to be reported on as part of Council Financial Statements.

1. Asset sustainability ratio

The asset sustainability ratio is defined as the ratio of asset replacement expenditure relative to depreciation for a period. It measures whether assets are being replaced at the rate they are wearing out.

The asset sustainability ratio is to be calculated as capital expenditure on replacement / renewal of existing plant and equipment and infrastructure assets divided by their annual depreciation expense.

2. Asset consumption ratio

The asset consumption ratio is defined as the average proportion of 'as new' condition left in assets.

The asset consumption ratio is to be calculated as the depreciated replacement cost of plant, equipment and infrastructure assets divided by the current replacement cost of depreciable assets.

3. Asset renewal funding ratio

The asset renewal funding ratio is defined as the ratio of net present value of asset renewal funding accommodated over a ten year period in a long-term financial plan relative to the net present value of the projected capital renewal expenditures identified in an asset management plan for the same period.

The asset renewal funding ratio is to be calculated as the net present value of projected ten-year capital renewal funding outlays in a long-term financial plan divided by the net present value of projected ten-year capital renewal expenditures in an asset management plan in current values.

Draft Orders under Section 85B of the *Local Government Act 1993*

AUDIT PANELS

Establishment

1. Audit Panels are to operate under a formal charter including terms of reference. These are to be developed by the council.
2. Independent members of the Audit Panel are entitled to be paid the remuneration and allowances the council determines.
3. As soon as practicable after an Audit Panel has been established, the General Manager is to advise the Director of Local Government.

Roles and functions

4. The roles and functions of an Audit Panel may include —
 - (a) reviewing the adequacy, efficiency and effectiveness of controls including accounting, internal control, anti-fraud, anti-corruption and risk management policies, processes and systems;
 - (b) reviewing annual financial statements to ensure they present fairly the state of affairs of the council, are consistent with national accounting standards and were prepared using rigorous and transparent internal systems and processes;
 - (c) reviewing the financial performance of the council including the financial and asset management indicators declared by Order under Section 84(2A) of the *Local Government Act 1993*;
 - (d) evaluating and reporting to the council on compliance with the Local Government Act 1993, integrity and integration of the council's -
 - I. strategic plan;
 - II. rates and charges policy;
 - III. asset management policy;
 - IV. asset management strategy;
 - V. long-term strategic asset management plan(s);
 - VI. financial management strategy;
 - VII. long-term financial management plan; and
 - VIII. annual plan;including the processes by which they were developed. and
 - (e) monitoring action taken on recommendations provided to the council.

Membership

5. An Audit Panel is to be a minimum of three and a maximum of five persons comprising up to two councillors or alderman, and up to three independent members. The independent members must form the majority of the panel.
6. An Audit Panel is to be chaired by an independent member of the panel.
7. An Audit Panel is not to include the General Manager or the Mayor of a council as a member.
8. An Audit Panel is not to include an employee of the council as a member.
9. An Audit Panel may include, or be comprised of, members of an Audit Panel for another council.

Ex-Officio members

10. The General Manager, or his delegate, and respective Directors/Managers of council's Business Services/Financial/Accounting Branch can be Ex-Officio members of the Audit Panel.

Qualifications of independent members

11. The independent members must possess strong business acumen, management and communication skills. Other relevant skills may include –
 - (a) knowledge and/or expertise in areas of audit practices and financial management; and/or
 - (b) relevant industry knowledge and experience; and/or
 - (c) experience with governance processes and risk management.

Appointment of independent members

12. Councils are to advertise publicly for independent members of the Audit Panel.
13. The council is to appoint the members of the Audit Panel.
14. Members of the Audit Panel are to be appointed for a minimum period of twelve months and a maximum period of four years. Appointees may be re-appointed to the Audit Panel for one additional term without the requirement for public advertisement.

Audit Panel meetings

15. An Audit Panel is to be adequately resourced by the council and provided with secretariat support from the council.
16. An Audit Panel is to meet a minimum of four times per year.
17. A quorum for an Audit Panel meeting will consist of a majority of members.

18. An Audit Panel is to develop an annual work plan, including a schedule of meetings and planned objectives for each meeting.
19. An Audit Panel is to hold meetings in a closed forum.
20. An Audit Panel is to meet formally with the external auditor at least once per year.
21. An Audit Panel meeting is to be attended by the General Manager, or his or her delegate, and the Director/Manager of council's Business Services/Financial/Accounting Branch, except where the Audit Panel chooses to meet in camera.
22. Only members of the Audit Panel are entitled to vote at meetings. Ex-Officio members are not entitled to vote at meetings.
23. The Audit Panel may invite councillors/alderman or council staff to its meetings.
24. After each meeting, the Audit Panel is to provide the minutes of its meetings to the Council for its consideration.