



Long Term Financial Plan Policy

Reference Number:	3.9
Type:	Council
Category:	Corporate Services
Relevant Community Plan Outcome:	<ul style="list-style-type: none">• Our values, leadership and collaborative approach are bold and courageous and enables us to deliver value for our Community and create a leading liveable City• The management of our city is progressive, responsive and sustainable to ensure a united and unique place for future generations• Open and accountable governance
Responsible Officer(s):	Manager Financial Services
First Issued/Approved:	July 1996
Minutes Reference:	CoS 07/08/2023, Item 4.29
Last Reviewed:	August 2023
Next Review Due:	August 2024
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Related Policies:	Annual Budget Policy
Related Procedures:	Budget Review Procedure; Overview of Long Term Financial Plan and Budget Process

1. Purpose

The Local Government Act 1999 prescribes that a council must adopt a Long Term Financial Plan (LTFP) . This Policy seeks to endorse these requirements to ensure compliance with the Act.

2. Scope

This Policy covers the Long Term Financial Plan requirements for Council in meeting its obligations under the Act.

3. Policy Statement

A Long Term Financial Plan will be developed as part of Council's strategic management planning processes.

The plan will provide a forward financial projection for a period of at least 10 years and will be reviewed at least annually.

The long term financial plan will align with Council's Community Plan and Organisational or Corporate Plan and should form the basis for the development of the annual budget each year.

Assumptions used in developing the plan will be reviewed yearly and updated in conjunction with Council's annual budget development process.

The assumptions used in developing the plan should address at a minimum Council's position on debt levels, the management of the community's infrastructure assets, rate revenue increases, the sustainability of council operations and specific operational expenditure strategies.

Asset Management Plan forecasts adopted by Council will be included in the LTFP and those financial forecasts will be reviewed and updated annually by asset managers to ensure they accurately reflect the future funding required, having regard to any changes in market pricing and/or impacts on delivery.

As part of the annual review of the LTFP the CEO will provide a statement on the sustainability of the Council's long-term financial performance and position taking into account the provisions of the Council's annual business plan and strategic management plans. This statement will be included in both the Draft and Annual Business Plan and Budget

The Long Term Financial Plan should include estimated financial statements with respect to the period of the Long Term Financial Plan, which must be presented, other than the notes and other explanatory documentation, in a manner consistent with the Model Financial Statements.

A summary of proposed operating and capital investment activities should be included in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances.

A series of key financial performance indicators on debt, the level of operating surplus and capital investment should align with the strategic directions modelled in the Long Term Financial Plan.

As a minimum estimate with respect to an operating surplus ratio, asset renewal funding ratio and net financial liabilities ratio in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators should be presented.

The Financial Indicators enable an assessment of council's ongoing financial sustainability. Council will strive to achieve an operating surplus ratio of greater than 0% and <10% over the medium term, net financial liabilities ratio of less than 100% and an asset renewal funding ratio of greater than 80% over the forecast period of the Long Term Financial Plan.

Within a 3 year period copies of the LTFP must be provided to the designated authority (as defined in the Local Government act 1999). Advice provided by the designated authority from the review and any response to that advice, will be published in the Annual Business plan (both the draft and adopted annual business plan) in the relevant financial year and each subsequent financial year (until the next relevant financial year for that Council).

4. Definitions

Key Term – Acronym	Definition
Model Financial Statements	Prescription endorsed in the Local Government Act regarding presentation of the annual financial statements, budget and long term financial plan.
Operating surplus ratio	This ratio expresses the operating surplus (operating revenues less operating expenses) as a percentage of operating income
Asset renewal funding ratio	This ratio indicates whether Council's capital

	expenditure on asset renewal/replacement of existing assets is what is needed to cost effectively maintain service levels as prescribed in Council's adopted Asset Management Plans.
Net financial liabilities ratio	This ratio indicates the extent to which the net financial liabilities or Councils indebtedness (total liabilities less financial assets) can be met by Councils total operating revenues.