



CUMBERLAND
CITY COUNCIL

Financial Planning and Sustainability Policy

AUTHORISATION & VERSION CONTROL

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BACKGROUND / INTRODUCTION

Financial sustainability recognises the importance of planning for the future and requires planned service, infrastructure and standards to be maintained without unplanned increases in rates & annual charges, fees & charges or where there is a need to cut services.

PURPOSE

The purpose of this Policy is to establish the strategic approach to the financial sustainability of Cumberland City Council and, through principles and objectives, will guide the development of the Long Term Financial Plan and strategic decision-making.

PRINCIPLES

The development of Council's financial sustainability will be based on the following principles:

- a. **Meet Sustainability Benchmarks** – Council will aim to exceed the financial sustainability indicators provided by the Office of Local Government.
- b. **Intergenerational Equity** – The financial effects of Council decisions should not be borne entirely by present-day ratepayers, but be contributed to by future ratepayers who will also benefit.
- c. **Investment** – Council will manage a conservative investment portfolio through robust analysis decision making, in line with the Investment policy.
- d. **Borrowings** – Are only utilised for assets that have an asset life exceeding 20 years or projects that can generate a payback to Council within 5 years.
- e. **Renewal** – Council renewal is based on Council's intervention point which is condition 3. Council renewal will be planned on the basis of overall condition, asset characteristics and service criticality.
- f. **Fully Funded Depreciation** – Council will include in its annual budget sufficient funds to cover the full costs of depreciation for all of its assets.
- g. **Fully Funded Operating Position** – Council must collect enough revenue to fund operational expenditure, the repayment of debt and depreciation.
- h. **Fully Funded Capital Works Program** – The source of capital works is identified and secured for both capital renewal and new capital works.
- i. **Cash Surplus** – Council aims to maintain a surplus every year.

RELATED LEGISLATION

- Local Government Act 1993
- Local Government (General) Regulations 2005

RELATED DOCUMENTS AND COUNCIL POLICY

- Division of Local Government Planning and Reporting Guidelines
- Division of Local Government Planning and Reporting Manual
- Division of Local Government Capital Expenditure Guidelines
- PricewaterhouseCoopers National Financial Sustainability Study of Local Government Commissioned by the Australian Local Government Association November 2006
- Local Government and Planning Ministers' Council – Local Government Financial Sustainability – Nationally Consistent Frameworks
- Independent Inquiry into the Financial Sustainability of NSW Local Government May 2006

ADDENDUM TO POLICY

To clarify, the definitions are based on industry accepted standards from International Infrastructure Management Manual for Infrastructure assets including Roads, Stormwater, Plant and Equipment etc.

Rank	Description of Condition
1	Very Good Condition Only normal maintenance required
2	Minor Defects Only Minor maintenance required (5%)
3	Maintenance Required to Return to Accepted Level of Service Significant maintenance required (10-20%)
4	Requires Renewal Significant renewal/upgrade required (20-40%)
5	Asset Unserviceable Over 50% of asset requires replacement