Break O'Day
COUNCIL

FINANCIAL MANAGEMENT STRATEGY 2019 to 2028

Purpose and Intent

The Financial Management Strategy (FMS) has been prepared in accordance with Section 70A of the Local Government Act 1993 to guide Council in its financial decision making.

The FMS integrates with the overarching Break O'Day Council Strategic Plan 2017-2027 which provides a broader understanding of Council's role in achieving the strategic vision having regard to Fiscal Responsibility as well as Infrastructure and Services. The Plan defines Council and Community Roles::

We will....	COUNCIL ROLE	COMMUNITY ROLE
Infrastructure and services We will ….	…plan, deliver and maintain quality infrastructure and services. … strive to deliver excellent customer service and promote Break O'Day as a desired destination.	…plan and provide community facilities and services in partnership with Council for our community.
Fiscal Responsibility We will…	…work within a culture of financial sustainability focusing on securing outside funding, spending wisely and being fair to all. …recognise the limitations of resources and the community's capacity to pay.	…be mindful that every request has an impact on finances and that difficult decisions need to be made to ensure the best outcome for all. …be prepared to pay for additional services and infrastructure that are requested.

The FMS has been prepared with the following key principles in mind. Break O'Day Council will:

- Manage its finances on behalf of its community in a responsible and sustainable manner and identifying opportunities to diversify revenue sources
- Maintain its community wealth in a manner where the wealth enjoyed by today's generation may also be enjoyed by tomorrow's generation

- Apply a user pays principle where appropriate, while taking into account any community service obligation
- Manage its financial position with an ability to recover from unanticipated events and to absorb the potential volatility inherent in revenues and expenses
- Manage its Long Term Financial Plan (LTFP) to retain an underlying surplus
- Manage the FMS in keeping with the Strategic Plan

These principles, in addition to the 'Rates and Charges' policy, are key considerations in preparation of Council's annual budget, LTFP and Asset Management Plans (AMP).

The LTFP will be prepared using Council's forecast information at the time of preparation for a period of ten years. The Asset Management Plans determine the projected spend on capital renewals and new/upgraded assets that are integrated into the LTFP. Revenues and Expenditure in the LTFP will not be indexed with inflation and will be stated in today's values.

OBJECTIVE

The Council is seeking to move beyond 'financial sustainability' to a position of 'financial comfort' by 2024/2025. Financial comfort is considered to be a position where Council has an underlying ongoing annual surplus of $500,000 providing Council with the flexibility to initiate activities and services within the Break O'Day area which facilitates the growth of the population and local economy or progress objectives of the Strategic Plan

GENERAL UNDERLYING PRINCIPLES AND DIRECTIONS

The vision for the future can be achieved by pursuing a range of key directions which contribute to the underlying objective of achieving financial comfort.

1. **Collective Action Model** – shared projects and services with other Councils (Northern Region Shared Services program), Government agencies and the private sector.
2. **Diversify revenue** – through commercial activities and delivering services aligned with Council's core competencies.
3. **Expand the rate base** – through economic development activities and support of the business community, including unlocking state owned land (excluding state reserves and national parks) for commercial activities and potentially adjusting the municipal area as part of an overall boundary consideration.

4. **Identify and secure new sources of revenue** – reduce impact on ratepayers by seeking alternative revenue options.
5. **Boundary and service delivery logic** – service delivery is not determined by Council boundaries but by efficiency, logic and Council priorities.
6. **Maximise grant revenue** – actively pursue grant funding opportunities for Council priorities and capital projects identified in Council budget, Annual and/or Strategic Plan
7. **Identify operational savings** – through reviews of service delivery and procurement to identify cost and/or labour efficiencies.
8. **Tender for internal and external infrastructure projects (eg for state agencies) -** to enhance economies of scale and maximise plant utilisation.
9. **Address underutilised capacity and skills –** identify opportunities to take advantage of unused resources, both within and external to the municipality.

In pursuing the identified strategies, it is important that the actions and decisions of the Council are guided by well-established and agreed principles.

1. **Competition is okay** – work with and support existing businesses to ensure no long-term negative impact on them whilst supporting new growth
2. **Profit is acceptable** – whatever is taken on or outsourced occurs on a full cost recovery basis plus a 'profit' margin
3. **Asset use maximised** – resources can be developed for commercial purposes or to increase the rate base.
4. **Outcomes must be quantified** – measurement processes must be established to quantify the savings achieved or the 'profit' derived from a change
5. **Non-quantifiable benefits** – can be considered provided there is no significant negative quantifiable outcome.

PRINCIPLES, STRATEGIES & TARGETS - INCOMINGS

General Rates

- General rates are taxation for the purposes of local government rather than a fee for service. It is the revenue source that Council has the greatest influence over when determining the annual budget. Council will ensure that it raises the revenue required to meet expenditure obligations in an efficient and equitable manner.

- Council's general rates will be established in the annual budget process in line with the 'Rates and Charges' policy. The objective is to maintain a sustainable rates system that provides revenue and stability and supports a balanced budget to avoid placing the burden of current expenditure on future generations; and ensuring that all councillors and staff work together and have a consistent understanding of the Council's long term revenue goals.

- The general rates will be levied based on a property's Assessed Annual Value (AAV) as determined by the Tasmanian Valuer General; AAV generally reflects a rate payer's capacity to pay.

- General rates will be increased annually in line with inflation to ensure that the primary source of funding in the LTFP is not diminished and that Council is keeping pace with meeting the cost of providing services to the community.

Service Charges

- Service charges will be regarded as a fee for service. The aim with service charges is to set the charge to match the cost of service provision associated with the charge.

- Fire levies are set by the Tasmanian State Government with Council acting as an agent for collection.

User Fees

- User fees and charges are for use of council goods and services. Generally, it is the intent that fees and charges are increased annually in small increments rather than large intermittent increases, commensurate with CPI increases.

- Where applicable, service provision will be at full cost recovery with an appropriate margin for which reflects normal commercial practices

Other Revenue

- The main source of other revenue is the Financial Assistance Grants received from the Commonwealth Government.

- Other revenue is primarily distributions from Council's investment in Tas Water. Revenue is in line with Tas Water's current Corporate Plan. This is based on Council's existing ownership interest.

PRINCIPLES, STRATEGIES & TARGETS - OUTGOINGS

Operating Expenditure

The operational expenditure of Council covers a wide range of services in the functions of Administration, Roads Streets and Bridges, Health and Community Services, Land Use Planning and Building, Recreation and Culture and Unallocated and Unclassified. Council will determine the level and range of services it provides to the community and approve funding of these services in the annual budget process.

Depreciation and Amortisation

- Depreciation recognises the allocation of the value of an asset over its useful life. Management will make informed assumptions regarding the value of assets and the period of time the assets will provide services to the community. External specialists will be used for valuation services as deemed appropriate.

- The depreciation charged on an annual basis is reflective of the services being provided to the residents in that year.

- The value of depreciation as estimated in the LTFP does not allow for changes due to revaluation of asset classes.

Finance Costs & Borrowings

- Finance costs relate to interest charged by financial institutions on funds borrowed. The level of borrowings and the level of interest rates influence costs.

- Borrowings are intended to fund long term new asset creation that improves services to the community.
- Council will manage existing borrowings, cash and investments to ensure debts are repaid when they are due.

Capital Expenditure

Council will use Asset Management Plans to ensure the service capacity of infrastructure and manage maintenance and upgrade intervention with appropriate and cost-effective timing.

Review

The Strategy will be reviewed every four years as required by the Local Government Act unless an earlier review is required by a change in legislation or Council/General Manager identify a significant change in strategic approach.