

Attachment A: Financial Principles to build the 2023-24 Budget

FINANCIAL PRINCIPLES

The Financial Principles have been developed giving consideration to future financial sustainability and delivering on priorities and objectives for the community. Once endorsed by Council, the Financial Principles will guide Administration in preparing the 2023-24 Budget and the Long Term Financial Plan for adoption by Council, and future decisions to be made by Council.

Principles: General

1. Council will maintain an operating surplus.

Council's budget has over recent years transitioned from a deficit operating position to a surplus operating position. Maintaining an operating surplus ensures an improved financial sustainability position in that Council is not funding its operations from borrowings. While deficits can at times be employed to achieve certain strategic outcomes, they are not sustainable in the mid-to longer-term. Accordingly, Council has recognised the need to balance the budget and maintain an ongoing operating surplus.

Principles: Operating Expenditure

2. Council continues to deliver its current suite of services and asset maintenance at existing levels and standards

It is recognised that outside of the current Business Plan & Budget process, ongoing reviews will be undertaken to ensure efficiencies (including potential removal of duplicated services that are, or could be better delivered by other agencies, or cost shifting from other levels of government), value for money, and alignment to community expectations and needs. Any savings will be redirected to improving services or maintenance, retiring debt, or such other purpose as may be determined by Council.

It is a reasonable position to take that the community expects, as a priority and as a minimum, for Council to continue to deliver existing services and asset maintenance in an efficient manner.

3. Costs are indexed in line with Consumer Price Index (CPI) to maintain existing services.

Following from Principle 2, it is therefore reasonable to expect that in order to maintain current services and asset maintenance, costs may need to increase.

Having said this, the budget is built from the bottom up and only the costs required to deliver existing services will be incorporated into the budget presented to Council.

In some cases, some costs may increase by CPI, some may not increase, some may increase by more or less than CPI.

4. New or enhanced services, assets or maintenance requiring an increase in operating costs are to be funded from rate or other revenue increases and/or through savings from a reduction in other services.

Where a rate increase is the preferred form of funding, this may potentially be managed by establishing a specific purpose rate and/or fund to provide transparency around associated expenditure.

It is acknowledged that costs may need to increase to maintain existing services and asset maintenance levels, so long as there is line of sight to the community on how the money will be spent.

Principles: Operating Revenue

5. Fees and charges are set, where appropriate, based on their nature and intent.

It is acknowledged that Council's fees and charges are diverse and set based on different purposes and objectives.

It is also acknowledged certain fees and charges have previously been waived due to Council decisions and will be reviewed.

6. Council will not seek to change the rating system for the 2023-24 Budget.

Council ultimately decides how rates will be determined. Any significant change to the current approach triggers a detailed

and prescriptive consultation process. For this reason, it would not be possible to achieve this for the 2023-24 BP&B.

However, this does not preclude Council from seeking to revalue existing properties for the current year.

7. Council may need to adjust rate revenue in order to achieve the desired budget (as per Principle 1), after consideration of all other budget components.

Council has a number of financial levers to influence budget outcomes, of which rates is one. Any adjustment to rate revenue will occur only after other levers have been considered.

8. Growth in rate revenue will be used to partly fund servicing new rateable properties and to service new borrowings.

As our population and city grows, we need to have the right levels of services and infrastructure in place.

Borrowings is one way to provide new infrastructure without raising rate revenue and other revenues significantly. In addition, new properties, residents and businesses will require an increase in the amount of services delivered (not a change in levels and standards), increasing pressure on the budget, and need to be funded. Funding these from growth revenue generated by new properties is appropriate in this instance.

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9. Council will consider new and different revenue streams and the approach to our commercial businesses to reduce reliance on existing revenue sources.

Principles: Capital Expenditure

10. Council recognises that new capital expenditure requires corresponding operating costs.

Whilst new capital expenditure is likely to be funded using borrowings, there are operating costs associated with the provision of new capital assets, and these need to be funded, on an ongoing basis, from within the operating budget. These costs include, but are not limited to, depreciation, maintenance, interest and insurance.

11. The capital renewal expenditure budget will be based on asset management plans.

Asset management plans are based on renewal requirements, as evidenced through condition assessments, useful lives and approved service levels.

12. Council capitalises on external funding, fast-tracking projects that attract such funding, recognising the potential need for increased borrowings in order to respond to external funding opportunities.

13. Council will consider the disposal, purchase and/or repurposing of property assets to unlock the potential and future prosperity of the City, without incurring a financial loss.

This principle is underpinned by Council's Strategic Property Action Plan which Council will review.

Principles: Borrowings (Debt)

14. Borrowings will be used to fund new and upgrade projects (which include major projects).

Using borrowings to fund new and upgrade projects assists intergenerational equity by spreading the cost of delivering infrastructure across the communities that will benefit from its use.

15. Borrowings will not be used to fund operations, expenses or renewal projects.

While using debt to fund new and upgraded projects is appropriate, using debt to fund operations is not sustainable in the medium to longer term.

Principle: Transparency

16. Council will demonstrate transparency in its decision making

Council has committed to transparent decision-making based on data and evidence, and robust financial management as key enabling priorities of its Strategic Plan. It is accountable to its ratepayers in obtaining value for money in the expenditure of public money.

It is important that Council communicates clearly to the community how it will use and manage its debt.