

Financial Position and Performance Policy

POL-FCM 09



Objective

The Council Financial Position and Performance Policy (Policy) demonstrates the City of Mandurah's (the City) commitment to financial stewardship by exercising responsible oversight and management to meet the current and future needs of the community.

The Policy objectives are to:

- Ensure adequate funding is available to provide efficient services to the community that reflect the community's needs and aspirations;
- Demonstrate a commitment to intergenerational equity which ensures the financial burden be fairly proportioned and not impact adversely on current or future ratepayers;
- Support the City to achieve financial sustainability aimed at ensuring that the City's operating revenue is sufficient to cover operating expenses including depreciation;
- Prioritise asset renewals to ensure that community assets and the service levels are well maintained; and
- Demonstrate a commitment to prudent fiscal management and greater transparency to the community.

Applicability

This Policy applies to City employees and assists Council in adopting the Annual Budget and Long Term Financial Plan (LTFP).

Statement

1. Key Principles

The Policy is founded on the following key Principles:

Accountability Principle	Financial decision making must be accountable, transparent, equitable and benefit the community, both now and in the future.
Borrowing Principle	Loans for the acquisition or construction of capital projects are to be considered where the criteria are met.
Asset Renewal Principle	Asset renewals must have a higher priority than the creation of new assets.
Rating Principle	Community's capacity to pay must be considered, balanced with ensuring the full cost of infrastructure and service delivery are equitably met by all generations of ratepayers.
Revenue Principle	Revenue opportunities will be identified and pursued.
Efficiency Principle	Resources must be efficient, prioritised, and optimised in-service delivery for the community.

2. Accountability Principle

To ensure that the City demonstrates accountable, fair and transparent decision making, the following criteria applies:

- Compliance with *Local Government Act 1995* (the Act) regulations and relevant accounting standards and guidelines;
- Alignment of service delivery with the Strategic Community Plan and Corporate Business Plan;
- Timely and transparent financial reporting providing Council and the community with visibility and insight;
- Consultation is to be undertaken with the community on the Annual Budget (including rating strategy) and LTFP;
- Demonstrate fair, consistent and transparent decision making which aims to maximise positive outcomes which benefit the community as a whole;
- Effective financial internal controls which are independently audited in accordance with the City of Mandurah Strategic Internal Audit Plan;
- Monitors the City's performance with the Department of Local Government, Sport and Cultural Industries (DLGSC) financial ratio benchmarks;
- Robust and responsible budgeting and LTFP processes; and
- Responsive to emerging issues through risk identification, monitoring and reporting to Audit and Risk Committee and Council.

3. Borrowing Principle

The City recognises that it may be necessary to borrow funds for the acquisition or construction of assets. In these cases, the following criteria for loan borrowings apply:

- Loans are to fund capital expenditure only;
- Annual debt service expense to be affordable in the context of the Annual Budget process and the City's long term financial capacity;
- Total loan borrowings should not exceed 50% of the current rating revenue;
- Loans will be for the length of time before major intervention works are required, but no more than ten years, except for certain projects that are outlined through the Annual Budget and approved by Council;
- Debt Service Coverage Ratio in any one year must be maintained in accordance with the DLGSC standard; and
- New loan borrowings will only be considered where a proposal has been presented to Council as part of the current Council approved Long Term Financial Plan.

4. Asset Renewal Principle

The City recognises that maintaining assets for current and future generations is crucial. Adequate investment in the City's assets protects future generations from bearing the previous ratepayers' obligations for contributing to future infrastructure needs. Every year, ratepayers should contribute the amount of asset benefit they use. This will enable the City to address any immediate need for strategic responses to major issues.

To ensure the City meets the current and future needs of the community, the following criteria apply:

- Where an asset exists and of a similar purpose, investment in asset renewals must be prioritised over the creation of new assets;
- Investment in asset renewals is required to ensure service levels are met for current and future generations without a decline in quality or efficiency;
- Demonstrate continuous improvement in the achievement of the DLGSC Asset Sustainability Ratio standard;
- Seek to maximise contribution to asset renewals from external grants and subsidies where possible;

- Subject to Council approval, any actual surplus at the end of the financial year, is transferred to the Asset Management Reserve to fund asset renewals, reducing the City's reliance on borrowings in the long term;
- Supports a position in the long term that through investing in additional renewal through the Rating Principle, the City will be able to fund capital programs reducing reliance on the Asset Management Reserve and borrowings; and
- Shared use of community assets to be maximised in accordance with Council Community and Recreations Facility Council Policy.

5. Rating Principle

The following criteria applies to the overall rating principle:

- Council approve the rating strategy each year as part of the LTFP and Annual Budget process;
- In establishing the rating strategy Council will consider the communities capacity to pay including:
 - Community service levels and expectations inform the development of the LTFP;
 - Current economic climate and conditions including consideration of cost-of-living pressures for the community; and
 - External cost escalation rates which impact on the City and community;
- The increase to general rates is formulated through a weighted average model which takes into consideration the cost escalations that the City is expected to experience for each expenditure type in the following financial year;
- The rating strategy applies the known escalation increases or where this is not available, the City applies the most reliable and timely cost escalation data to the related operational expenditure type;
- These assumptions will be applied to the related operational expenditure type for example:
 - Material and contracts increased by Perth CPI forecast where forecast is reliable and timely, otherwise RBA CPI will be applied.
 - Labour costs increased in accordance with the City's Industrial Agreement
 - Utilities and Insurance increased in accordance with the known escalation increases provided by the relevant supplier, and if there has been no confirmation of the increases, then the Local Government Cost index forecast will be applied.
- The weighted average model is formulated by determining the percentage of budget for each operational expenditure type and the forecasted cost escalation for each type. An additional 0.68% is included in the final model to enable the City to achieve the Asset Renewal Principle (refer section 4);
- Differential Rates apply ensuring that every landowner makes a reasonable contribution to rates;
- Specified Area Rates apply on certain locations in Mandurah where there is a waterway which enhances and requires an increased maintenance of the area by way of increased service levels for the benefit of the owners/residents who live in the area;
- Revenue raised through Specified Area Rates be used solely for the purpose which the rate was imposed, with any residual amount remaining being placed in a reserve for that same purpose; and
- Where applicable, Differential Rates and Specified Area Rates will be exercised by Council to meet specific community needs and to ensure fairness, consistency, transparency, efficiency, and equity for the community in accordance with the Act.

6. Revenue Principle

In addition to the rating revenue, the City will identify and explore opportunities through the following criteria:

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- Actively seek grants and contributions when available and aligned to the delivery of the Strategic Community Plan;
- Manage advocacy priorities and efforts in accordance with the City of Mandurah Advocacy Framework;
- Demonstrate continuous improvement in the achievement of the DLGSC Operating Surplus Ratio standard;
- Identify opportunities to increase the level of commercial returns and broaden commercial opportunities where practical; and
- Fees and charges for the provision of for-profit services must recover the full economic cost of providing the service.

7. Efficiency Principle

The City is committed to maximising organisational efficiencies through the following criteria:

- Resources are allocated in accordance with objectives in the Strategic Community Plan and Corporate Business;
- Services levels and programs will be assessed and reviewed by Council in accordance with the City of Mandurah Service Review Framework to achieve the best value for money and appropriate quality aligned to community expectations; and
- A culture of continuous improvement is embedded within the City, through the delivery of the City of Mandurah Efficiency Program.

Definitions

Annual Budget: A statutory requirement outlining the financial estimates to deliver the Corporate Business Plan.

Asset Management Plan: A local government's internal business planning tool that translates Council priorities into operations, within the resources available. The Corporate Business Plan details the services, operations, and projects a local government will deliver over a defined period.

Intergenerational Equity: The equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life (more evenly spreading the financial burden against current and future ratepayers who will enjoy the benefits).

Legislative Context

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Australian Accounting Standards Board (AASB) Standard

Department of Local Government Rating Policy Differential Rates (s.6.33) August 2013

Review

This Policy will be reviewed each year as per the LTFP process.

Related Documents

These documents are mandatory and required to give effect to this policy:

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City of Mandurah Strategic Community Plan
City of Mandurah Long Term Financial Plan
Asset Management Strategy
Community and Recreation Facilities Council Policy – POL-CNP 07
Collection of Overdue Debts Council Policy – POL-FCM 08
City of Mandurah Service Review Framework

Responsible Directorate: Business Services

Responsible Department: Financial Services

Reviewer: Director Business Services

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Amendments			
Version #	Council Approval Date, Reference	Date Document In force	Date Document Ceased
1	Minute SP.1/5/24	22 May 2024	24 June 2025
2	Minute G.9/06/25	25 June 2025	