

Financial Sustainability Ratios and Targets Policy

Policy Author	General Manager – Strategy and Corporate
Date of next review	May 2024

1. Statement of Intent

This policy sets out strategic financial sustainability principles and outlines the measures by which Council will assess the implications of financial decisions on its financial position and financial sustainability. These principles are aimed at establishing, maintaining and assessing Council's long term financial sustainability.

The measures defined in this policy will be used by Council in the development of the following:

- Annual budget
- Long Term Financial Plan
- Asset Management Plan
- Budget reviews
- Other financial decisions.

The policy establishes five measures to ensure Council assess, monitor and report the financial sustainability of its operations with a particular focus on intergenerational equity. In particular the ability to make financial decisions based around:

- Financial performance
- Asset Sustainability
- Debt management

The five measures are:

- Operating Surplus Ratio (Local Government Act Core Ratio)
- Cash Flow from Operations (Existing Playford Ratio)
- Asset Sustainability Ratio (Local Government Act Core Ratio)
- Net Financial Liabilities Ratio (Local Government Act Core Ratio)
- Interest Expense Ratio (Used by Local Government Finance Authority)

2. Scope

This policy and the associated procedure applies to the development of the annual budget, long term financial plan, asset management plans, budget reviews and other financial decisions.

3. Application

Council	Adopt the Financial Sustainability Ratios and Targets Policy Consider and approve the annual budget, long term financial plan, asset management plans, budget reviews and other financial decisions.
Chief Executive Officer	Responsible for implementing the policy and monitoring the organisation's financial position. Reports on Council's financial sustainability.
Corporate Governance Committee	Makes recommendations regarding targets Reviews and provides input to financial plans. Reviews the financial sustainability of Council.
Finance Manager	Leadership of the financial review process. Provides analysis of Council decisions that includes the impact on targets.
Directors and Managers	Provide quality inputs for Council's financial performance reviews and reporting.

4. Legislation and References

This policy is to be read in conjunction with the Financial Sustainability Ratios and Targets Procedure.

- *Local Government Act 1999*
 - s8 - Principles to be observed by a council
 - s44 - Delegations
 - s137 - Expenditure of funds
 - Chapter 8 - Administrative and financial accountability
 - s122 - Strategic management plans
 - s123 - Annual business plans and budgets
- *Local Government (Financial Management) Regulations 2011*
 - Regulation 7 - Budgets
 - Regulation 9 - Review of budgets
- Local Government Association, Financial Sustainability Information Paper 9
- Asset Management Policy
- Treasury Policy
- Annual Business Plan
- Annual Report
- Long-Term Financial Plan
- Infrastructure and Asset Management plans
- City of Playford Global Glossary

This Policy should not be considered as the only document that may relate to financial sustainability and targets, other tiers of government, agencies or organisations may have legislation or policies that also apply.

5. Relevance to Risk Appetite Statement

Financial Sustainability

The City of Playford has a **LOW** appetite for short-term financial risk that adversely impacts the Council's income. The Financial Sustainability and Targets Policy sets the principles and criteria with regard to financial sustainability.

Reputation

The City of Playford has a **LOW** appetite for negative perceptions that compromise its credibility and reputation. The Policy assists Council in responsibly managing its financial position and performance.

Regulatory Compliance

The City of Playford has **ZERO TOLERANCE** for non-compliance with applicable legislation including the legislation listed within this policy.

6. Feedback

Your feedback on this policy is invited and can be directed to the Manager Governance via email to governance@playford.sa.gov.au or by calling the Customer Contact Team on 8256 0333.

Administration use only

ECM document set no.	3984933
Version no.	3
Procedure link	Financial Sustainability Ratios and Targets Procedure
Policy author	General Manager – Strategy & Corporate
Endorsed by	Council
Resolution no.	4623
Legal requirement	N/A
Review schedule	3 years
Date of current version	May 2021
Date of next review	May 2024

Version history

Version no.	Approval date	Approval by	Change
1	22/03/2011	Council	New Policy
2	24/05/2016	Council	Policy updated to reflect current practice

3	25/05/2021	Council Resolution No. 4623	Policy document moved into new template. Document updated to include Risk Appetite Statement. Moved procedure content into procedure document, statement of intent expanded to ensure the intent of the policy is clear
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