

Financial Sustainability Policy Review

Council Information Session
24 October 2023

Purpose

- Refresh understanding of financial sustainability
- Role of Policy & Discussion Paper
- Current and future financial sustainability outlook
- Proposed changes & discussion items
- Receive feedback on what advice to seek from Audit & Risk Committee

What is Financial Sustainability?

Planned long-term service and infrastructure levels and standards are met without significant unplanned increases in rates or disruptive cuts to services.

Ratepayers should 'pay their way', without either subsidising, or being subsidised by ratepayers in the past or future.

Operating Result, Debt & Asset Renewal

Policy Overview

- Guides Council's financial decisions
- Focuses on financial sustainability and fairness.
- Sets four key funding rules
- Sets regular checks and updates
- Uses five financial metrics



MITCHAM

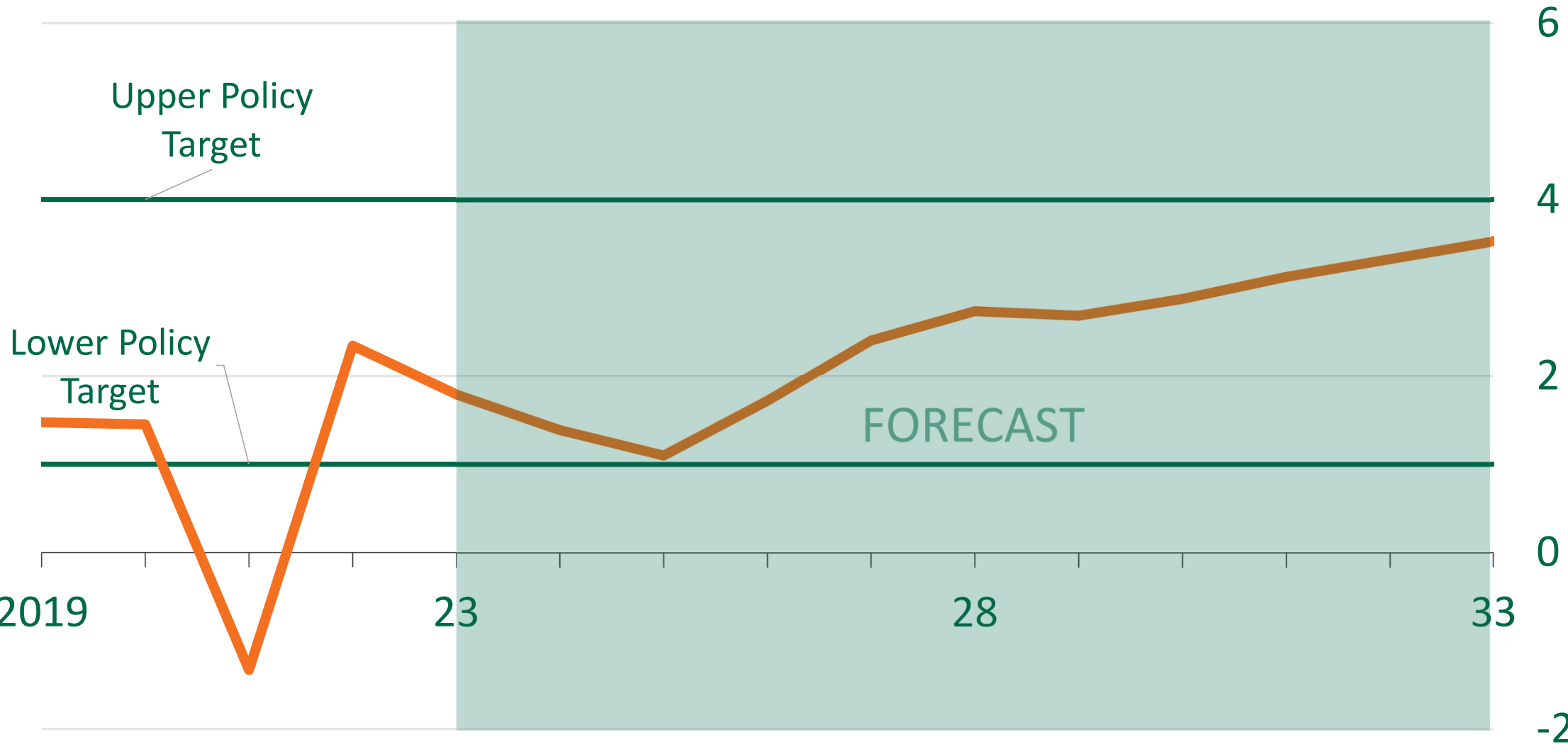
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FINANCIAL SUSTAINABILITY POLICY

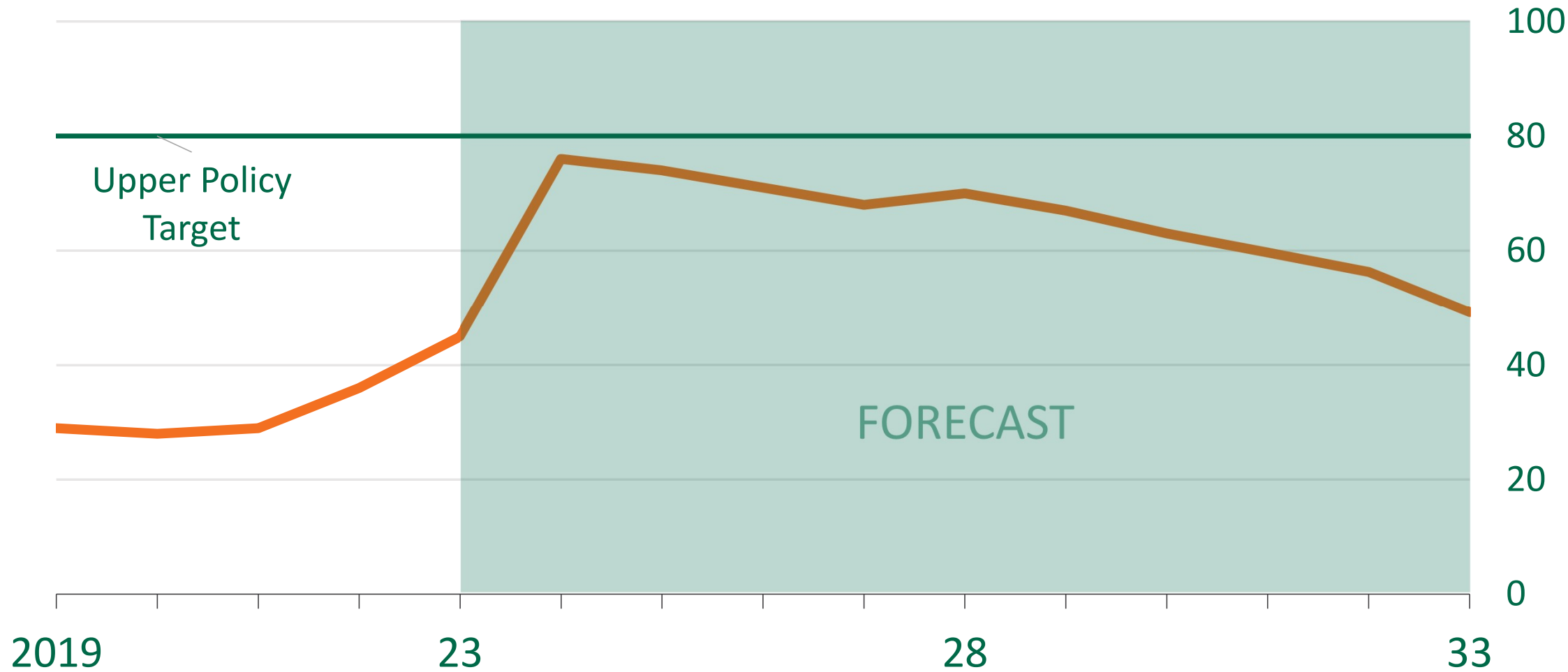
Adopted by Council 8 September 2020

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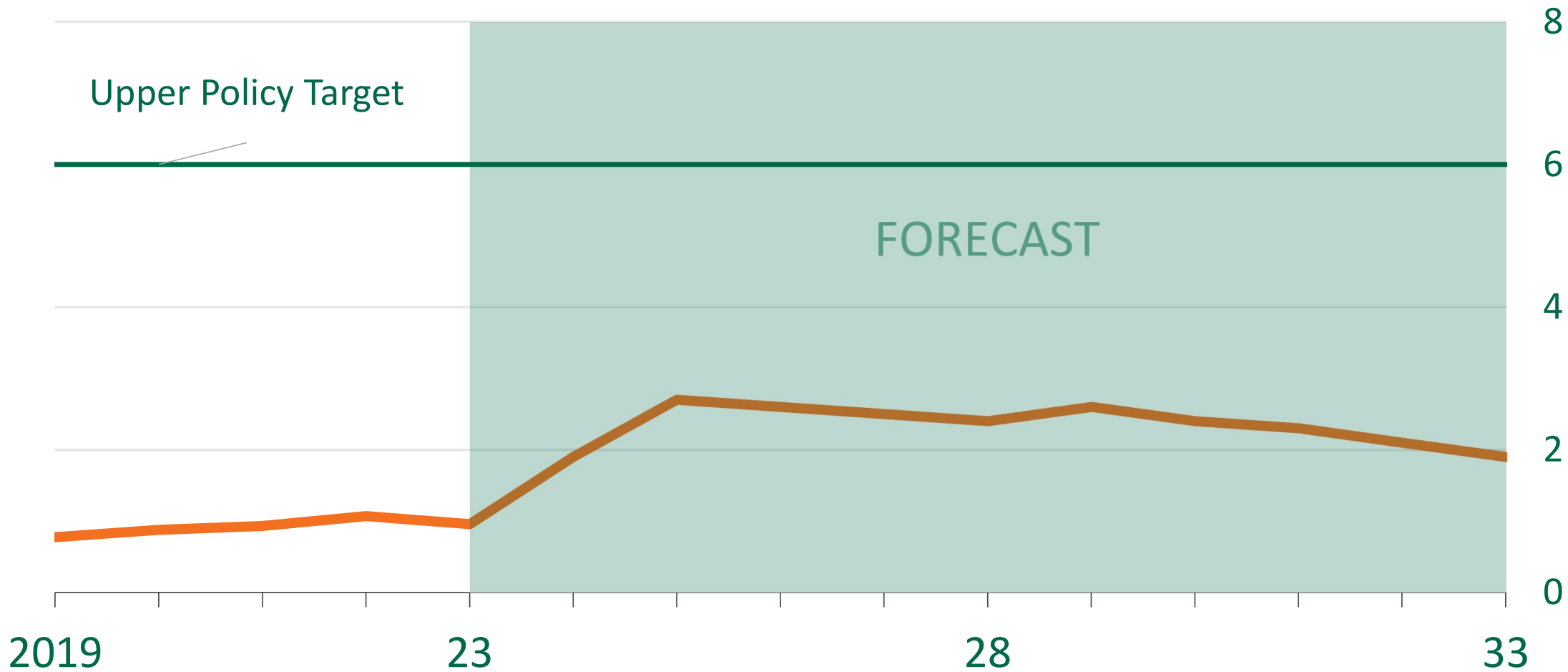
Underlying Operating Surplus % of Rates



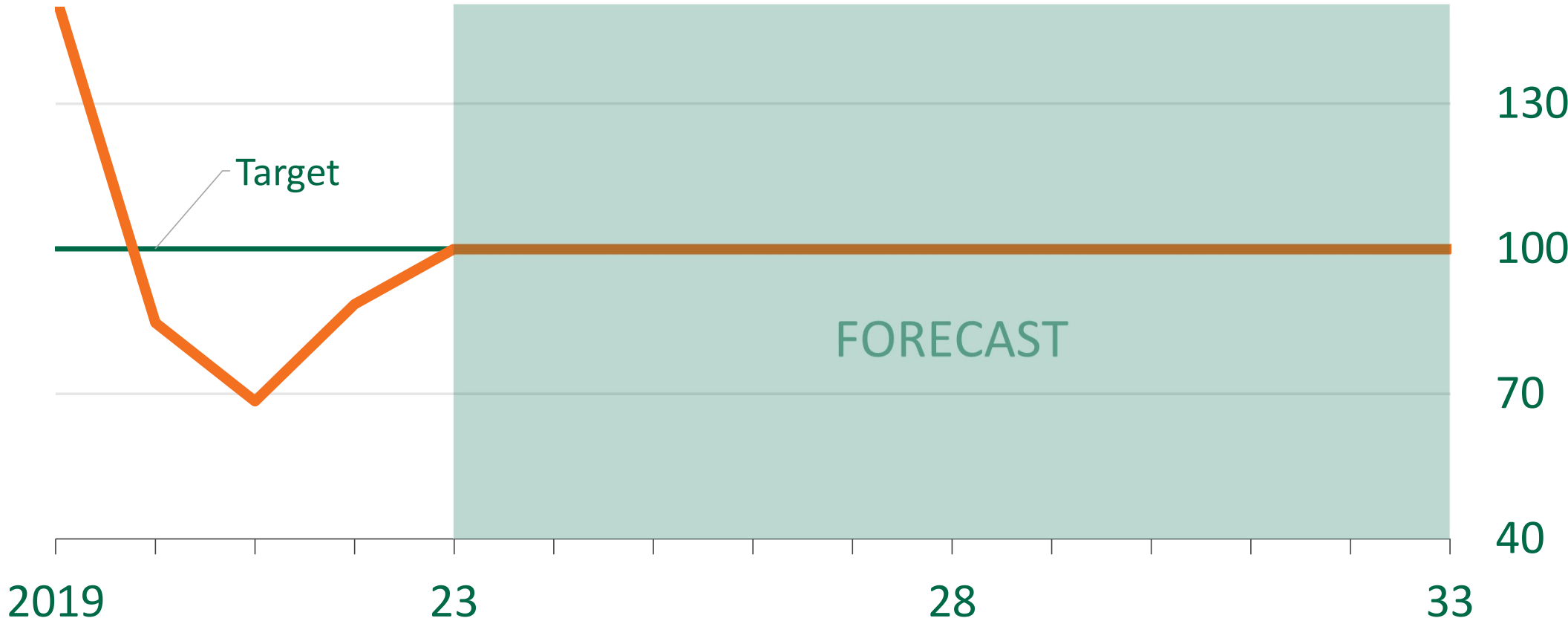
Net Financial Liabilities % of Rates



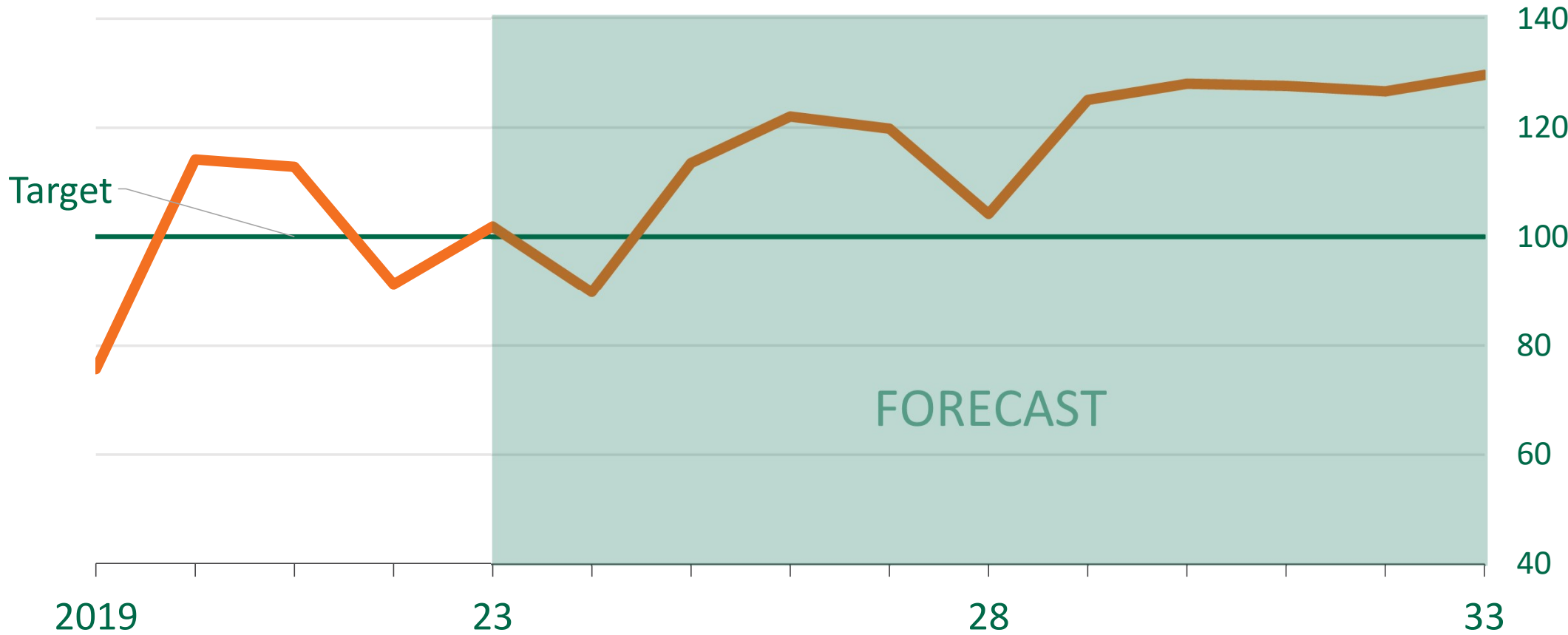
Net Interest % of Rates



Asset Renewal Spent % of AMP's



Operations Cashflow % of Asset Renewals



Policy & Discussion Paper Refresh

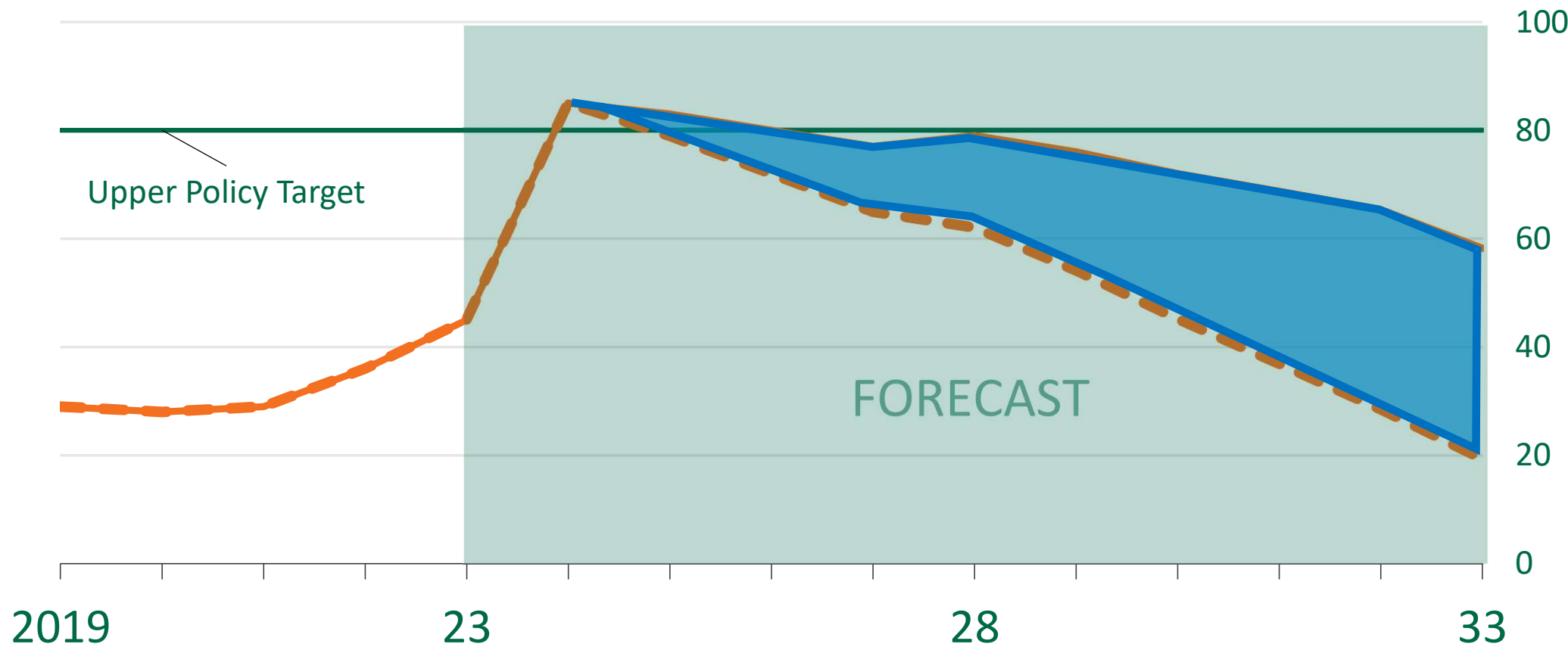
- **Policy**

- Strengthen integration with Strategic Management Plan
- Clarity around Risk Management and scenario modelling
- Wording update to improve consistency and clarity

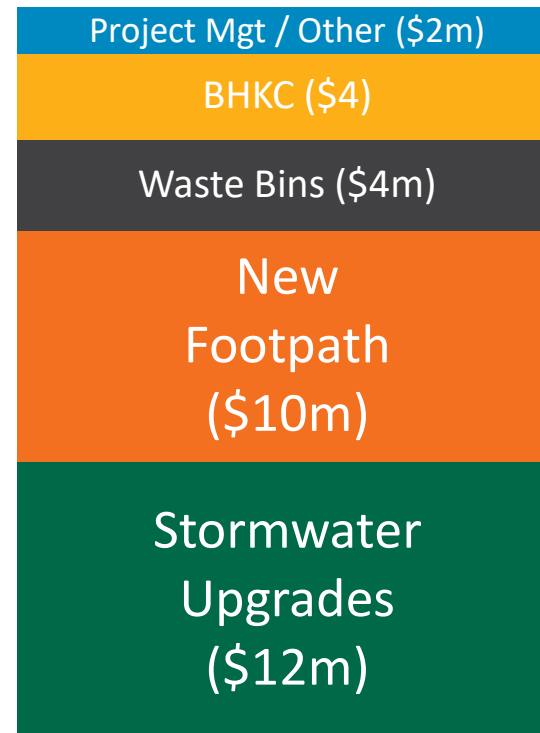
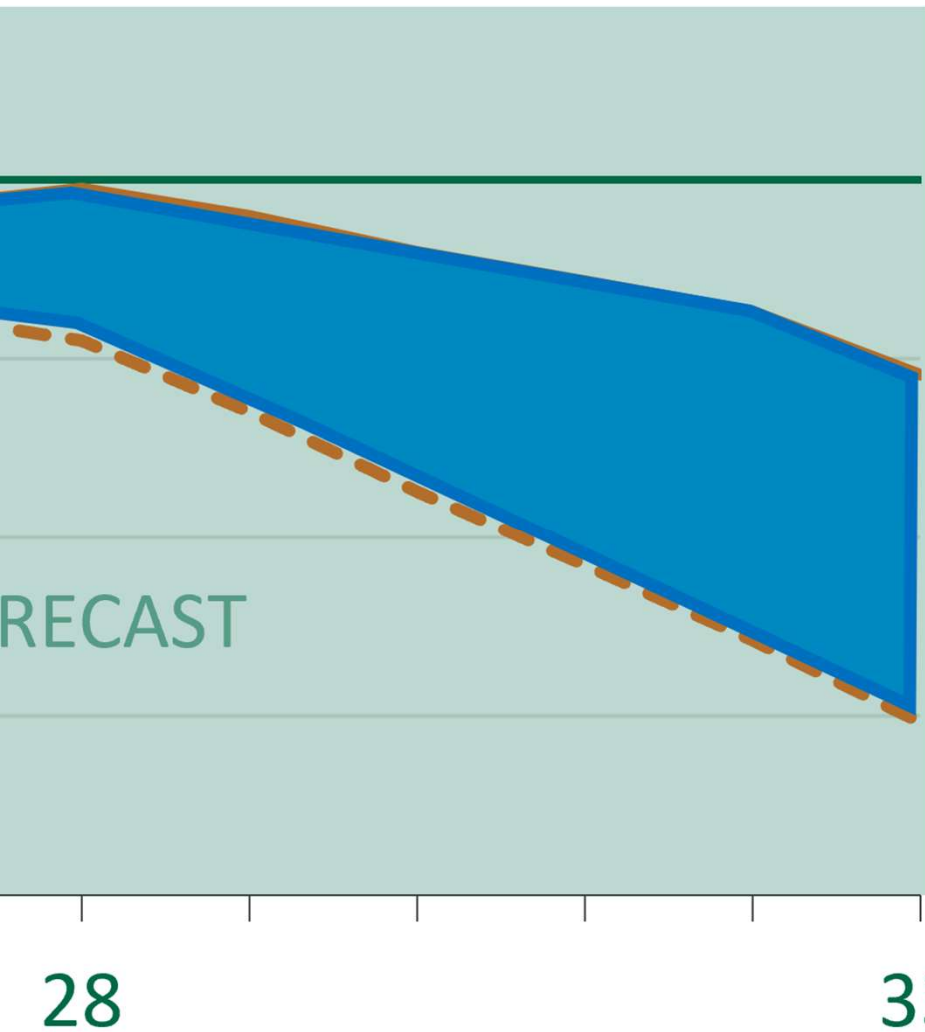
- **Discussion Paper**

- Added further considerations around debt level and debt affordability
- Updated data
- Removal of prior discussion relating to prior policy items.

Debt Capacity – Adopted New Capital

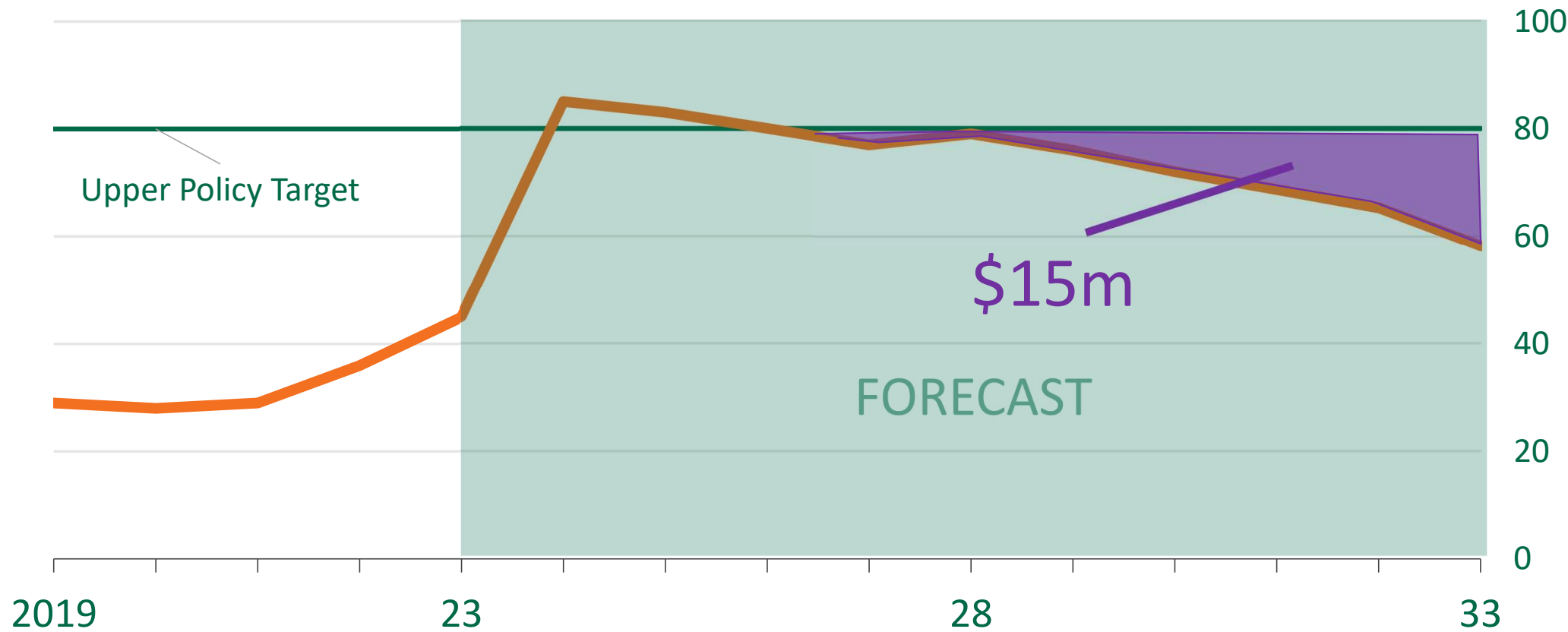


Debt Capacity – Adopted New Capital



\$30m

Debt Capacity - Future



Considerations for SMP

1. Slow the pace of constructing new assets?
2. Increase the surplus (raise revenue / reduce services?)

Accept a higher level of debt? (increase the NFL target)

Audit & Risk Committee Considerations?

Proposed items for Audit & Risk Committee consideration:

- Sustainable Debt Level
- Change to industry mandated measures (to aid benchmarking)
- Ability to depart from policy principles (One-off)
- Integration of ESCOSA
- SMP alignment of cost of existing services and savings (longer term view)
- New capital budget allocation in future years (State & Federal Election matching)

What other specific advice would you like to be considered?

Next Steps

- December 2023: Draft Policy & Discussion Paper inclusive of Council's feedback to be presented to Audit & Risk Committee
- February 2024: Option to have follow up discussion with Audit & Risk Committee if required
- March / April: Present options to Council to adopt revised sustainability policy

Annual Business Plan Process - Feedback

