STRATEGIC FINANCIAL MANAGEMENT AND PLANNING (November 2013)

Document Information & Revision History

Date	Version	Detail
2001	1.0	Information paper creation
June 2013	2.0	Updated for generic year references, and relevance to current legislation

Associated Documents

- LGA ‘Financial Sustainability’ Information Paper No. 6: Infrastructure and Asset Management;
- LGA ‘Financial Sustainability’ Information Paper No. 8: Long-term Financial Plans;
- LGA ‘Financial Sustainability’ Information Paper No. 13: Annual Business Plan;
- LGA ‘Financial Sustainability’ Information Paper No. 23: Financial Governance;
- LGA ‘Financial Sustainability’ Information Paper No. 25: Monitoring Council Budget Performance;
- LGA ‘Financial Sustainability’ Information Paper No. 27: Prudential Management.
- Local Government Act 1999 (the Act)
- Local Government (Financial Management) Regulations 2011 (the Regulations)
- IPWEA Australian Infrastructure Financial Management Guidelines

Next Review scheduled for	March 2015

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INTRODUCTION

This document provides information and guidance to Councils in relation to Strategic Financial Management and Planning and outlines:

- the various linkages of Councils suite of long and short term plans including:
    - Long-Term Financial Plan;
    - Infrastructure and Asset Management Plan;
    - an Annual Business Plan; and
    - Budget
- the legislative requirements in terms of disclosures for each of the financial plans;
- the roles and responsibilities of the Elected Body, CEO and Management with respect to the development, assessment and monitoring of each plan; and
- the key considerations for Council in assessing its performance – from two perspectives - performance measures and benchmarking.

WHAT IS STRATEGIC MANAGEMENT AND FINANCIAL PLANNING?

In accordance with the Act, Council is required to develop and adopt strategic management plans which:

- set a clear vision and objectives for Council and its operations, in consultation with the community;
- address issues of relevance to the council area; and
- enable management of Council resources, people and assets in a sustainable manner.

Strategic management planning ensures the characteristics of 'best practice' financial governance are adopted as outlined in the *LGA 'Financial Sustainability' Information Paper No. 23: Financial Governance*.

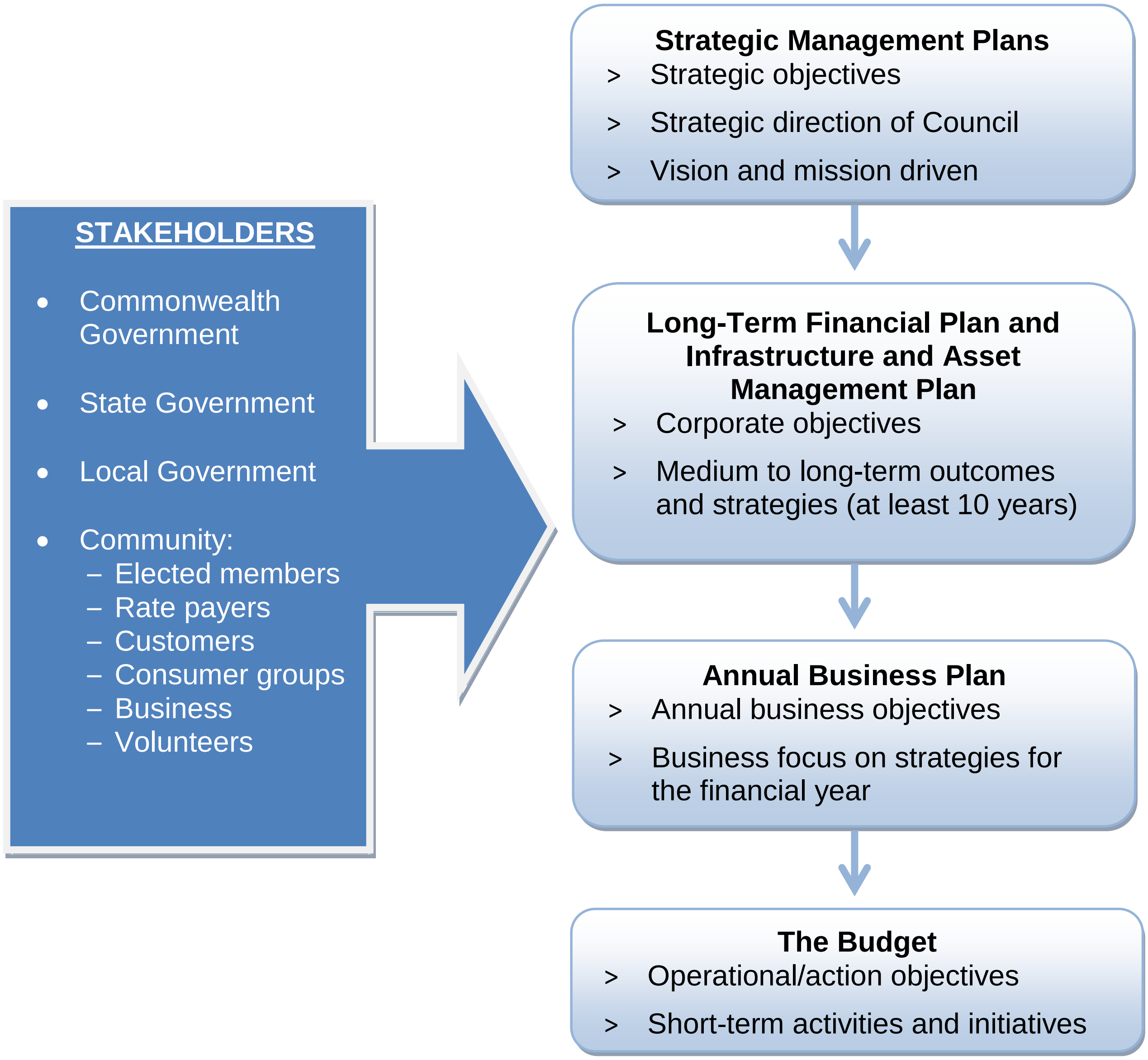
Strategic financial planning is an integral part of the strategic management planning activity of a Council. It involves the development of:

- a Long-Term Financial Plan;
- an Annual Business Plan; and
- a Budget

that are consistent with the resource allocation objectives and the time frame of the strategic management plans.

Community consultations for each of the plans ensure the wants and needs of the community are considered by Council in the development of its various plans.

The diagram overleaf shows the relationships and linkages of the various plans:



Strategic plans may also include a series of 'specific' plans relating to key areas of the Council, such as:

- Community development;
- Asset management;
- Human resources; and
- Financial resources.

These plans will be impacted by a number of issues including:

- the Council's current policy framework;
- service delivery issues;
- service standards; and
- performance measurement.

Elements of these specific plans should be included in the broader strategic management and financial plans of the Council (i.e. long-term financial plan and annual business plan).

Strategic Management Planning - Legislative Requirements

Sections 99, 122, 123 and 131 of the Act provides the general legislative requirements for the development and adoption of strategic management plans. In addition, Part 2 of the Regulations outlines further issues that must be addressed in the preparation of strategic plans.

Key legislative requirements include:

- Council to develop and adopt **strategic management plans**;
- Council to identify their objectives over a period of at least 4 years indicating the extent to which they:
    - Participate with other Councils;
    - Consider regional, State and national objectives; and
    - Co-ordinate with State and national governments.
- Council to provide assessments for:
    - The sustainability of the Council's financial performance and financial position;
    - The levels of services that will be required to achieve their objectives;
    - The extent to which infrastructure will be maintained, replaced or developed;
    - Proposals with respect to debt levels; and
    - Any significant anticipated or predicted changes in cost.
- Councils to identify the principal activities they undertake to achieve their objectives and state the measures (financial and non-financial) that they will use to monitor and assess its performance;
- Councils to develop and adopt a **long-term financial plan** and **infrastructure** and **asset management plan** for at least 10 years;
- Councils to develop and adopt an **annual business plan** and **budget** each financial year; and
- The CEO to provide information to the Council to assist elected members in assessing performance against its **strategic management plans**.

When preparing strategic management plans, Council should ensure they review sections 99, 122, 123 and 131 of the Act and Part 2 of the Regulations for further information and requirements.

Strategic Management Planning - Roles and Responsibilities

The Elected Body, CEO, and Management have significant roles and responsibilities in the development and adoption of strategic management plans.

The following tables outline their key roles and responsibilities.

Elected Body

	ROLES AND RESPONSIBILITIES
Mandatory	• Develop and adopt strategic management plans; • Develop and adopt appropriate performance measures for inclusion in Council's strategic management plans, with the assistance of the CEO and management; • Monitor and measure the performance of achievement of those plans; • Ensure the community and other relevant stakeholders have opportunities to have input into the development and review of the strategic management plans; Ensure the Council considers its role and responsibility in the provision of appropriate services to the community; • Regularly review strategic management plans to maintain currency and incorporate changed circumstances; and • Ensure that its annual report includes a report on the Council's performance in implementing its strategic management plans during the relevant financial year.
Desirable	• Ensure it considers all aspects of income raising and potential expenditures, assigning priorities to income and expenditures; Specifically consider the impact of taxation on the broad and specific elements of its community; • Reconsider the LTFP projections if a decision is to be made that has major ongoing financial implications; • Ensure all assumptions underlying the plans are valid and relevant; and • Consider comparing its performance with other Councils (or other best practice organisations) – benchmarking.

CEO and Management

	ROLES AND RESPONSIBILITIES
Mandatory	• Schedule and develop strategic planning processes; • Support and assist the Council in preparing strategic management plans; • Provide a report on the sustainability of Council's long term financial performance and position taking into account the provision of Council's Annual Business Plan and Strategic Management Plan; • Gather relevant data and information to assist in the development, analysis, prioritisation and sensitivity of strategic management plans; and • Provide information to the Council to assist assessing performance against the financial and non-financial measures in its strategic management plans.
Desirable	• Assist the Elected Body to determine its requirements for performance measurement and benchmarking; • Report to management regularly on performance and achievement, including the reasons for variation from plans; • Consider extending the performance measurement process to include operational areas; and Consider the use of benchmarking.

THE LONG-TERM FINANCIAL PLAN AND INFRASTRUCTURE AND ASSET MANAGEMENT PLAN

The long-term financial plan ('LTFP') expresses, in financial terms, the activities Councils propose to undertake over the medium to longer term and must be for a minimum of 10 years. The LTFP draws together the various elements of objectives, strategy and outcomes from the Council's strategic management plans and translates them into dollar amounts and performance measures that are capable of being monitored and reviewed continuously.

Long-term financial planning is an iterative process - it occurs on a regular basis and it may take many attempts to 'get it right'. As new information is included in the planning process – from the latest advice on interest rates to information from the community on expected service standards – the plans are discussed, reviewed and fine-tuned. Anticipating the future intended income and expenses enables Councils to identify overall financial implications of proposed activities and strategies including alignment with financial performance measures and benchmarks.

Due to the Councils having a number of long-term assets, the Act also requires Councils to prepare an infrastructure and asset management plan ('I&AMP'). This plan assists Councils in the maintenance, rehabilitation and replacement of their assets by predicting infrastructure needs over at least 10 years. This allows future community service expectations to be met with the best projected future cost, which may require expert technical advice.

When developing an I&AMP, Councils should consider the following:

- The level of service and outcomes assets provide to the Council;
- How the assets align with the strategic management plans and outcomes determined through community consultation;
- The life-cycle costs and projected benefits of assets compared with existing and future services needs;
- Risk management assessment (including prudential considerations as required);
- The monitoring of asset performance;
- Alternate service delivery solution (leasing, private/public partnerships, shared service arrangements);
- The actions taken to renew or retire assets including its appropriateness; and
- The assignment of assets to a person who has responsibility to achieve a service level or outcome.

It is essential that the Council's strategic management plans, LTFP and I&AMP are all consistent. All initiatives proposed in the LTFP and I&AMP must be appropriate and in accordance with the strategic management plans. Costs identified in the I&AMP are incorporated into the LTFP to ensure projected capital expenditure do not adversely affect the Council's financial stability.

Long-Term Financial Plan – Key Disclosures:

- A list of all the assumptions that have been used in developing the plan; A statement of expected revenues and their source, over the relevant time frame;
- A statement of expected expenditures, based on the current strategic management plans;
- The service standards that underlie the expenditure plans;
- The performance measures to be used to monitor achievement of the plans
- Links and references to strategic and other management plans;
- Details of the sensitivity analysis performed, which highlight the factors or assumptions most likely to affect the long-term financial performance; and
- Draft budgets for the relevant time frame – these could be in the form of different scenarios, e.g. most likely, optimistic, conservative.

Infrastructure and Asset Management Plan – Key Disclosures:

- Specify desired and intended service levels to be generated from various classes (and sub-classes) of assets.
- Details of outlays estimated for the year for:
  - Maintenance of existing assets;
  - Renewal or replacement of existing assets;
  - Maintenance of new, additional assets; and
  - Acquisition of new, additional assets.

Long-Term Financial Plan - Prudential Requirements

Prudence is the application of careful thought and assessment to plans. Where those plans are financial in nature, Councils must be prudent.

Prudence requires a thorough examination of all aspects of a project to minimise the risk to the Council and the community. This usually involves the assessment of the inherent risks of an undertaking by asking and considering the answers to a series of questions, such as:

- How accurate are the project estimates of expenditure?
- How certain is the revenue stream?
- What can impact on the expenditures?
- What can impact on the revenues?
- What other risks are there in the project – e.g. loss of key staff, loss of business partner?
- What is the likely reaction of alternate service providers?
- What is the level of demand for this product or service?

- Will there be a continuing demand for this product or service?
- Undertaking a cost/benefit analysis – see Section on 'Budgets'.
- Conducting a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to ensure that a deep understanding of the context and environment is developed so that problems can be anticipated and properly dealt with.
- An honest and forthright answer to the question – are residents funds at risk?
- Rigorously considering 'all' the options and alternatives to carry out the function, provide the service or raise funds and choosing the least risky or most likely to succeed option.
- Doing a sensitivity analysis of the assumptions to determine the best, worst and most likely scenarios for success or failure.
- If the project fails, what are the potential liabilities for the Council – legal and financial?

For further information and legislative requirements on prudential management when completing strategic financial plans, see *LGA 'Financial Sustainability' Information Paper No. 27: Prudential Management*.

LTFP and I&AMP - Legislative requirements

Section 122 of the Act states that Councils must develop and adopt a LTFP and I&AMP.

Regulation 5 of the Regulations identifies the LTFP's content as including:

- A statement in plain English which avoids unnecessary technicality and excessive detail which details:
  - the purpose of the long term financial plan;
  - the basis on which it has been prepared; and
  - key conclusions which may be drawn from the estimates, proposals and other information in the plan.

- Estimated financial statements consistent with the Model Financial Statements;
- A summary of proposed operating and capital investment activities;
- Estimates with respect to the Council's:
  - Operating surplus ratio;
  - Net financial liabilities ratio; and
  - Asset sustainability ratio.

For further information and requirements for the preparation of the LTFP and, I&AMP, refer *LGA 'Financial Sustainability' Information Paper No. 6: Infrastructure and Asset Management* and *LGA 'Financial Sustainability' Information Paper No. 8: Long-term financial plans.*

THE ANNUAL BUSINESS PLAN

The Annual Business Plan ('ABP') is a statement identifying the intended business objectives, programs and outcomes for the financial year. When developing the ABP, Councils must take into account the LTFP and I&AMP content as the budgeted activities contribute towards Council's delivery and achievement of these longer term plans.

The ABP is closely related to the Budget and should be developed in conjunction with one another. They establish a basis for review of the Council's performance over the year, which is included in its annual report.

A Council's project priorities and levels of service outlined in the ABP are subject to funds being available. This is determined in the Budget which is based upon the LTFP and I&AMP.

Due to the close relationship between the ABP and Budget, Councils may choose to combine the two documents. However, Councils must ensure they satisfy all legislative requirements as stated in the Act and Regulations.

Both the ABP and the Budget must be adopted after 31 May and before 31 August.

The Annual Business Plan - Legislative requirements

Section 123 of the Act and Regulation 6 of the Regulations identifies the content required in the ABP including:

- A summary of long-term objectives as outlined in the strategic management plans;
- Specific objectives of the next year, including how it will be monitored and measured in financial and non-financial terms;
- Activities Councils wish to undertake to achieve its specific objectives;
- Assessment of the Council's financial requirements for the year and a summary of its proposed expenditure and sources of income;
- Rates structure and policies for the financial year; and
- Assessment of the impact of the approach to rating for the year and how it affects ratepayers from modelling undertaken.

For further information and legislative requirements on the preparation of the ABP, see *LGA 'Financial Sustainability' Information Paper No. 13: Annual Business Plan*.

THE BUDGET

The Budget is an expression of the Council's ABP in financial terms. In effect it is a forecasted financial statement which reflects the policies, annual goals and objectives of the Council.

The Budget also reflects expected performance and performance targets in financial terms. Without such targets, Council operations would lack direction, potential problems may not be foreseen and results would lack a context or meaning.

The Budget is therefore an essential planning and control tool for Council Purposes. Monitoring the financial performance through regular review of the Budget is essential to the ensuring Council's strategic objectives are achieved.

The Budget is developed within the Council's overall planning framework. The Budget follows the direction of the Council's suite of strategic management plans.

The LTFP is a key input and the basis for the Budget. Like the ABP, the Budget must ensure the proposed expenditures on initiatives and objectives in the LTFP and I&AMP align. The Budget should be developed in conjunction with the ABP to minimise the risk of inconsistency between the strategic management plans.

Councils should have an 'efficient and effective' budget process where it is:

- Developed within a sound policy framework providing clear, unambiguous guidance to Council Members and staff;
- Directed towards the achievement of the strategic goals and objectives in the strategic management plans, LTFP and I&
- Timely and relevant;
- Open and transparent, promoting accountability and responsibility;
- Supported by appropriate delegations which minimise time delays in making decisions;
- Supported by appropriate reporting mechanisms and open communication channels which promote the flow of information both before and after decisions are made;
- Capable of being monitored from a performance perspective; and
- Subject to regular (continuous) review.

To assist Councils, see the *LGA Annual Budget Example* which provides the minimum requirements for development and preparation of an Annual Budget.

The Annual Budget - Legislative requirements

Section 123 of the Act states that Councils must develop a Budget in conjunction with the ABP and adopt it once the Council has adopted the ABP after 31 May and before 31 August.

Regulation 7 of the Regulations prescribes the content of the Budget, to include:

- Budgeted financial statements consistent with Model Financial Statements and Accounting standards;
- Whether projected operating income is sufficient to meet projected operating expenses;
- A summary of proposed operating and capital investment activities;
- Estimates with respect to the Council's:
    - Operating surplus ratio
    - Net financial liabilities ratio
    - Asset sustainability ratio

Furthermore, Regulation 9 of the Act states Councils must prepare and reconsider the Budget:

- At least twice, between 30 September and 31 May to create a report showing a revised forecast of its operating and capital investment activities compared to the estimates set out in the budget; and
- Between 30 November and 15 March to create a report showing a showing a revised forecast of each line item shown in its budgeted financial statements and, revised forecasts for the Council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared to the estimates in the budget.

Regulation 10 of the Act states Councils must prepare and consider:

- no later than December 31, a report on financial results of each item in the audited financial results for the Statement of Comprehensive income and Balance sheet compared with the estimated financial results as show in the original adopted budget for that year; and
- a comparison of the operating surplus ratio, net financial liabilities and asset sustainability ratio against the original budget forecasts.

When preparing Budgets, Councils should ensure they review sections of the Act and the Regulations for further information and requirements.

The Annual Budget – Roles and Responsibilities

The role of the Elected Body is to set policy, make decisions and ensure that the CEO implements its decisions and policies. They are reliant on quality professional advice from the CEO and management to assist it in making policy and decisions.

In turn the CEO and management rely on the Elected Body to determine timely and achievable policy and make decisions.

To all intents and purposes, the Elected Body and CEO must work together to develop a budget process to deliver the outcomes reflected in the goals and objectives.

The following tables outline key roles, responsibilities and activities relating to the annual budget process and reporting.

	ROLES AND RESPONSIBILITES
Mandatory	<u>Elected Body:</u> Must, each financial year: o Adopt a budget; o Ensure an annual statement is prepared; o Ensure that the Budget is adopted between 31 May and 31 August; Reconsider its Budget at least three times per year, at intervals of no less than three months between 30 September and 31 May; o Compare the audited financial statements results against the original budget no later than 31 December; and o State whether the projected operating income is sufficient to meet projected operating expenses for the relevant financial year. <u>CEO and Management:</u> • Develop a Budget process and advise Council on a policy framework that ensures that the Elected Body and CEO are able to meet their obligations under the Act; • Operate within the policy framework; • Provide regular reports to the Elected Body during the financial year to permit the monitoring, review and reconsideration of the budget; and • Promptly amend the Budget, as directed by the Elected Body.
Desirable	<u>Elected Body:</u> • Consider the development of a flexible policy framework providing clear unambiguous direction for the CEO and management to implement the Budget to deliver the service standards and outputs and outcomes; and • Reconsider the Budget more than 3 times per year. Alternatively, it may wish to simply review its Budget more frequently if a decision is to be made that has major financial implications. <u>CEO and Management:</u> • Ensure that processes and procedures are in place to facilitate the regular monitoring and review of the Budget.

Detail in the Budget Process

The Budget should contain enough material, in sufficient detail for the Elected Body to make considered judgements about the size and scope of the Budget, within an appropriate timeframe, and to facilitate an efficient and thorough review.

As a guide when undertaking a review of the Budget, the Elected Body should focus on:

- Alignment with strategic management plans;
- The overall cost and scope for productivity improvements in existing on-going activities, rather than minute details (Refer to Annual Budget Template document);
- Changing requirements;
- New initiatives (particularly the effect on future budgets);
- Capital works;
- Revenue raising issues;
- Balancing the details it receives with its role as a policy making body and Budget approver; and
- Achieving administrative efficiency for both itself and the staff of the Council in the process.

Adopting the Budget

The Budget should be adopted at a level of aggregation that meets statutory requirements, provides accountability to the community and maximises administrative flexibility for management and staff to achieve the Council's goals and objectives within an appropriate policy framework. It should be discussed and debated in sufficient detail and be subject to community consultation.

The Budget is a guide to financial resources required to pursue the outputs and outcomes which the Council wants to achieve.

The Budget should be a flexible document, capable of responding to change, without significant administrative effort. However, this should not at the risk of losing transparency and integrity in the overall delivery of Council's annual budget outcomes.

This can be achieved in a number of ways, such as:

- Councils agreeing to adopt the Annual Budget at a program level, which include aggregating costs into a single amount for each program.
- Councils adopting priority lists of capital works and rule the list off at a pre-determined dollar amount. This allows Councils to substitute one project for another from the priority list if a specific project does not proceed.
- Councils using program budgeting to set out the Budget, with financial resources being allocated to the programs. A program generally represents a

major functional activity of the Council (e.g. Community Services, Transport, Environment etc.) and can be broken down into sub-programs, primary activities and secondary activities.

- Councils adopting the budget statements, ratios and targets as per the Act and Regulations, after detailed consideration of the supporting material.

Reviewing and Amending the Budget

In accordance with the Act, the revision of the Budget must be done by the Elected Body and cannot be delegated to the CEO or any one person. The Elected Body should anticipate that the Budget is likely change and therefore, ensure the Budget is flexible enough to handle the changes.

The Regulations require Councils to prepare at least two Budget updates, a mid-year Budget review and a report on the Financial Results. Although Councils are only required to perform two Budget updates a year, Councils are encouraged to review the Budget more frequently. Budget updates must include a revised forecast of the Council's operating and capital investment activities compared with previous estimates. It is recommended that the Budget update show:

- Budget activity for the year;
- Any variances from the previous Budget;
- A revised proposed Budget; and
- A revised proposed forecast (normally the same as the revised Budget).

For further information and legislative requirements on the preparation of the ABP, see *LGA 'Financial Sustainability' Information Paper No. 25: Monitoring Council Budget Performance*.

PERFORMANCE MEASURES OF COUNCIL

Councils are required to establish a series of "measures" to enable the monitoring of its performance, both internally against itself and/or externally against other Councils and entities. It enables Councils to improve their resource allocation to meet the needs of the community who seek 'more for less'.

Performance measures can be:

- as <u>simple</u> as comparing actual expenditure with budgeted expenditure or
- as <u>complex</u> as an extensive set of productivity performance measures that aim to measure the quality of Councils outputs.

Councils must develop corporate measures to monitor and assess its performance in implementing the goals and strategies in its strategic management plans and to report on its performance in the Annual Report. The development of corporate measures can be very different to the more traditional service level measures, such as the cost of constructing roads and footpaths or the cost to process a building application. Service level measures are more relevant to business and operational plans, rather than strategic management plans.

It is important to compare the costs of undertaking performance measurement with the likely benefits that such measurement will bring. Sometimes the benefits are difficult to quantify or appear to be too far into the future to be reliably measured. However, it is generally agreed that performance measurement provides a "barometer" of Council's performance and can assist Councils to monitor and improve performance, focus on goals, and to meet legislative requirements.

Each Council needs to decide for itself what performance measures it will impose. However, it is important to note that:

- Performance measures are different for different levels of the organisation – usually they are broader at the corporate or strategic level than they are at the service level;
- Performance measures must add value to the assessment of achievement;
- Performance measures should be:
    - Simple
    - Understandable
    - Capable of being collected (preferably as an integral part of the activity being measured) and easily collected
    - Measurable
    - Quantifiable (a ratio, a percentage, a number)
    - Linked to a standard
    - Reportable
    - Controllable – i.e. able to be affected by the Council in some way, either directly or indirectly
    - Regularly reviewed to ensure that they continue to measure and add value to the assessment of performance.

BENCHMARKING COUNCIL PERFORMANCE

When Councils seek to improve their performance and service delivery, they undertake benchmarking of their performance.

Benchmarking involves Councils comparing and measuring their policies, practices, philosophies, and performance measures against those of better-performing Councils, Councils of a similar size or other organisations with comparable processes considered best practise

In carrying out benchmarking comparisons it is important to carefully select benchmarking partners and ensure that the data being collected by each participant will enable a valid comparison.

Benchmarking can take three specific forms: [1]

1. **Process benchmarking:**
   This process encompasses benchmarking those Councils processes which achieve results. Processes are defined as particular methods or tasks undertaken by selected work units. This typically involves a number of discrete steps or operations. What is commonly referred to as a process is also often influenced by formal work procedures and legalistic rules. The overarching goal of process benchmarking is to improve the quality or quantity of a Council's outputs. Improvements realised can, in turn, have a direct bearing on Council outcomes.

2. **Results benchmarking:**
   Results benchmarking involves comparing two or more organisational outcomes against set outcome related performance indicators. These indicators are not usually general standards (i.e., goals to be achieved), but more often a suite of measures or proxies used by Councils to ascertain efficiency and/or effectiveness. The focus on outcomes does not mean that questions relating to the efficiency and effectiveness of internal processes are less important. A major conclusion stemming from total quality management literature is that good outcomes seldom arise from bad processes and that good processes can significantly contribute to good outcomes. By benchmarking results, Councils may also be able to identify key areas where selected processes could be improved.

3. **Best practice standards:**
   Benchmarks are a form of standard that can be defined as a goal against which actual performance can be measured. Benchmarks are usually categorised into minimum, average and best practice standards. Minimum standards imply a level of service or performance that will most always be achievable. Average standards suggest that half of the service users will receive a level of service that is above the norm and the other half below the average. Best practice standards have an aspirational element and are often used to motivate staff to achieve a higher level of performance or productivity.

[1] Commonwealth of Australia (1996), *Measuring Up – A Primer for Benchmarking in the Australian Public Service,* Department of Finance, Canberra.

> Benchmarks are best practice standards. In some instances, best practice standards, especially for processes, may not be visible to the community (e.g., support processes, such as financial accounting or personnel processes). Consequently, this type of standard often requires strong commitment from the Council to attain the standard.

Benchmarking is not without its pitfalls and it must be carefully carried out to ensure that what is being measured and compared is relevant to Council operations and the strategy to drive performance improvement.

For example:

(a) benchmarking the borrowing performance of two Councils, one of which is in 'maintenance mode' while the second is undergoing significant growth will not be a valid comparison as the two Councils are not comparable in this area.

(b) comparing rates in the dollar between Councils ignores the effect of property valuation in the equation – a more appropriate benchmark is the median residential rate.

GLOSSARY OF TERMS

Accountability

The responsibility to provide information on the performance, achievement of goals and objectives, financial position and related matters to those people and organisations who have an interest in the management and performance of a Council (stakeholders).

Accounting standards

Generally promulgated by accounting bodies and detail the principles and procedures that apply to externally reported financial information. In some cases, federal and state governments legislate specific accounting requirements for local governments. Local governments may also have internal accounting standards that they apply to their accounting information.

Asset

In an accounting sense, an asset is something of value and, in a property sense, a physical thing of value.

Benchmarking

The comparison of policies, practices, philosophies, and performance measures against another organisation (or organisations), generally regarded as being high-performing, with a view to improving efficiency and effectiveness.

Budget

The translation of a Council's goals and objectives for a specific period into quantitative terms – the physical resources required to achieve the goals and objectives.

Delegation

Assigning the power to make decisions, either broadly or under particular conditions, to specific individuals.

Effectiveness

The achievement of the expected outcomes from a process.

Efficiency

The achievement of an optimum level of outputs for a given set of inputs.

Elected Body

The persons currently elected as members of the Council.

Equity

The quality of being fair or impartial; fairness; impartiality, that which is fair and just or, in an accounting sense, the excess of assets over liabilities.

Financial management

The timely capture, processing and presentation of financial information in a form which is tailored to assist decision-makers and users of financial information to plan, monitor and make decisions effectively.

Financial reporting

The preparation of general purpose financial reports that provide information to interested parties who have no capacity to obtain financial information to meet their needs from specific reports.

Liability

An obligation, especially for payment; debt or pecuniary obligations.

Performance measurement

The assessment of the performance of an activity, function or service against some standard or target.

Performance measure (indicator)

The individual target or standard that is set in relation to measuring an activity, function or service.

Statement of Comprehensive Income

The statement that details the income and expenses, including any resultant surplus or deficit on operations, of a Council for a particular financial year.

Statement of Financial Position

The financial statement which details the assets, liabilities and equity of a Council at a specific point in time (usually June 30).

Statement of Cash Flows

The financial statement that details the receipts and payments of a Council for a financial year.

Statement of Changes in Equity

The financial statement which details the movements in the equity (increase/decrease in equity, reserves and provisions) of a Council for a financial year

Sensitivity analysis

The application of modelling, constructed to identify and measure the changes that can occur to financial, and other quantifiable, projections through varying the assumptions used to create the projections.

Strategic planning

The process of developing the Council's goals and objectives and identifying how the goals and objectives can be achieved.