



Late Agenda Item

Audit and Risk Management Committee

ARMC1902-6 TIMEFRAME FOR ADOPTION OF
LONG TERM FINANCIAL PLAN, CORPORATE
BUSINESS PLAN AND ANNUAL BUDGET 2019

Tuesday, 12 February 2019, 5.30 pm

ARMC1902-6 TIMEFRAME FOR ADOPTION OF LONG TERM FINANCIAL PLAN, CORPORATE BUSINESS PLAN AND ANNUAL BUDGET 2019

Meeting Date: 12 February, 2019
Responsible Officer: Glen Dougall
Decision Making Authority: Council
Agenda Attachments: Nil
(Presentation to be provided at Committee meeting)

SUMMARY

City officers have carried out a comprehensive process to build the new Long Term Financial Plan (LTFP) for the next ten years.

Officers have refined the corporate project management framework and project development process to ensure that many of the proposed projects now have developed scopes and costs and a process of peer review undertaken to ensure that sufficient detail and weighting is provided when considering cost, priority and future operating management.

The current project analysis process provides:

- **Structure**
- **Transparency**
- **Planned approach**
- **Forecasting budgets and resources vs projects and plans**

A detailed LTFP is now complete that will allow the City to forecast its budget and resources in line with strategic plans and projects.

A draft LTFP for the next 10 years is in progress which will be presented at Council workshops over the next month with the view to adopt with the annual budget and Corporate Business Plan (CBP) in June 2019.

This report seeks to confirm the timing and process of finalising the LTFP, CBP and annual budget.

BACKGROUND

Long Term Financial Plan

The current LTFP was adopted by Council on 2 July 2014. The LTFP is a part of the local government planning framework which focuses on the City's future financial capacity and the ability to meet future strategic and operational needs. The LTFP is aligned to other core planning documents and Council's commitments to the community including the Strategic Community Plan and the Corporate Business Plan. Information contained in other plans such as the Asset Management and Workforce Plans.

Project Management Audit

In July 2018 the Paxon Group Pty Ltd carried out an internal audit of project management at the City. The report recommended the need for improved procedures, clarity and detail of instructions, documentation and controls in order to minimise risk and to achieve sound project governance and compliance. Officers have implemented a new Corporate Project Management Framework which covers the processes and documentation required to address the recommendations. The audit report was received at the Audit and Risk Management Committee Meeting on the 20 November 2018.

Integrated Planning Framework

The City is improving its approach to corporate planning. The CBP relies on informing strategies in the corporate planning framework to provide the outline of major activities for the City over the next four years. Where the LTFP provides a higher level view of the City's financial capacity needs, the CBP focusses more on the detail of the next four years.

Asset Management Policy

The City of Fremantle Asset Management Policy was adopted in June 2018. The Policy is designed to help guide the City in its consideration of asset management when adopts the annual budget and Long Term Financial Plan. The Asset Management Policy states that:

- Council, in adopting the annual budget and Long Term Financial Plan, shall give due consideration to the priorities identified in the City's Corporate Asset Management Plan.
- The City's Asset Management Plans will be used to provide an objective basis for consideration of the annual budget allocated to renewal and maintenance of assets, and priorities within this budget and City work programmes.
- As part of the budget process the City will produce a prioritised listing of capital works projects. Priorities will be based on sustainability, risk, safety, legislation, strategic alignment and cost. This will be available for consideration as part of the annual budget process. In adopting the annual budget and Long Term Financial Plan Council shall give due consideration to the priorities identified through this process.

FINANCIAL IMPLICATIONS

The LTFP, CBP and corporate project management framework informs the budgeting process. It supports sustainable financial management and will deliver a considered process to determining each annual budget.

LEGAL IMPLICATIONS

In the preparation of the annual budget Section 6.2 of the *Local Government Act 1995* requires the local government to have regard to the contents of the plan for the future of the district made in accordance with section 5.56.

Section 5.56 of the *Local Government Act 1995* requires a plan for the future:

- (1) A local government is to plan for the future of the district.

- (2) A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district.

The Plan for the Future comprises the Strategic Community Plan and Corporate Business Plan.

CONSULTATION

There may be an opportunity to consider advertising the LTFP for community input during the process. This will depend on timing. Council has previously discussed the opportunity to undertake a participatory budget process. There are benefits and challenges to this. The LTFP may provide a better overview perspective than an individual budget or an allocation of funding for community comment.

OFFICER COMMENT

Corporate Project Management Framework

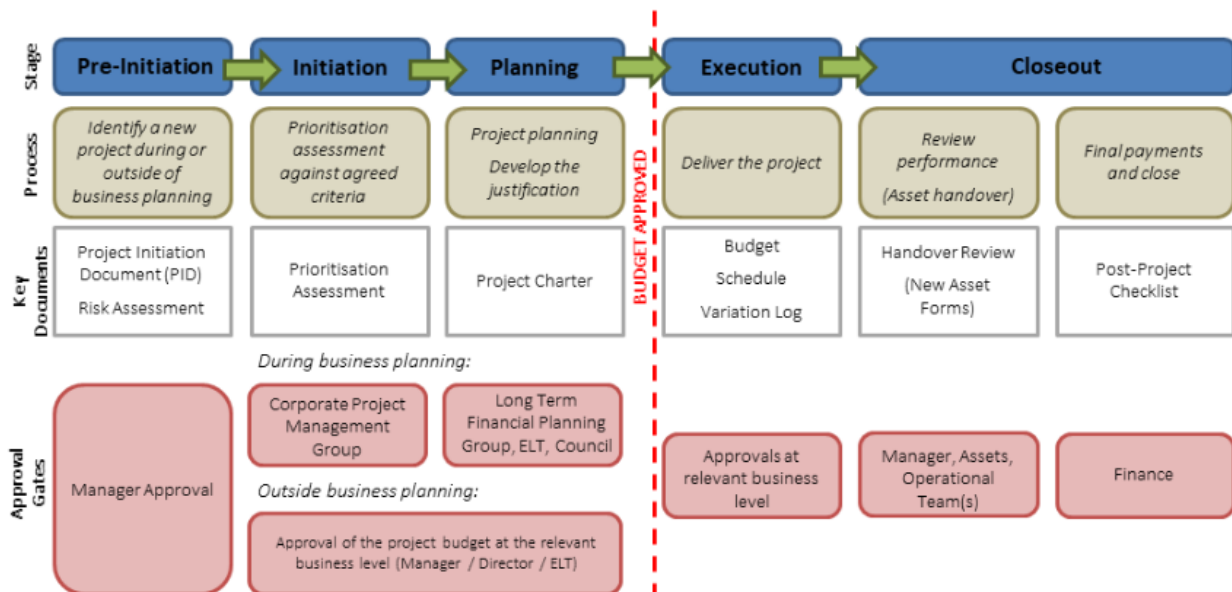
The Corporate Project Management Framework has been designed so that it complements the business planning process and brings about improved control and transparency. The first step in identifying a potential project is the development of a Project Initiation Document (PID). The PID includes details of the scope, the duration, the cost, risk and justification of the project.

The Corporate Project Management Group, made up of managers from across all directorates, met in November 2018 to prioritise the projects planned for delivery in the next 10 years. Projects score more highly if there is a contract already in place, there is a legislative requirement, the project is strongly aligned with the strategic objectives, funded by grants or has political significance.

The Long Term Financial Planning Group met in December 2018 and considers the affordability of the proposed projects. The LTFP Group discusses the funding of each proposed project and allocates budget based on priority and resources available. The LTFP Group considers targets for renewal, new and one-off operational projects. The total expenditure for each of the three areas (renewal, new and one-off operational) are determined by balancing community needs, affordability and the Department of Local Government Financial Ratios.

The output of this process is a schedule of projects for the next 10 years based on specific project needs, priorities and risk. This forms the capital expenditure basis of the LTFP and allows projects to be prepared early, and the City to plan its resources for delivery of the projects and operation of the eventuating assets.

The Project Management Process



Budget Timeline

The LTFP will provide details on what Council proposes to deliver over the next ten years as a means of ensuring the City’s financial capacity to deliver. The forecasts and predictions for the first four years of the LTFP are being developed with reasonable accuracy and will reference back to the CBP. The annual budget preparation will primarily be informed by these long term financial projections and planning therefore ensuring alignment with the LTFP and CBP. Due to the close connection of these plans it is recommended that the CBP, LTFP and draft budget be adopted together in June 2019.

The suggested timetable for this process is below;

DATE	ITEM
12 Feb 2019	Preview of draft LTFP at Audit and Risk Committee
11 March 2019	IEM to workshop draft LTFP
15 April 2019	IEM to finalise draft LTFP and CBP
8 May 2019	1 st Budget Workshop
22 May 2019	2 nd Budget Workshop
6 June 2019	3 rd and final Budget Workshop
26 June 2019	Adopt Annual Budget, LTFP and CBP

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

OFFICERS RECOMMENDATION

Council approves the below timeframe for the development and adoption of the Long Term Financial Plan (2019-2029), Corporate Business Plan (2019-2022) and 2019/20 Annual Budget;

DATE	ITEM
12 Feb 2019	Preview of draft LTFP at Audit and Risk Committee
11 March 2019	IEM to workshop draft LTFP
15 April 2019	IEM to finalise draft LTFP and CBP
8 May 2019	1st Budget Workshop
22 May 2019	2nd Budget Workshop
6 June 2019	3rd and final Budget Workshop
26 June 2019	Adopt Annual Budget, LTFP and CBP