



Government of **Western Australia**  
Department of **Local Government and Communities**

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# Integrated Planning and Reporting

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Advisory Standard

September 2016



The Department of Local Government and Communities acknowledges and thanks the local governments that attended the consultation workshops in March 2016. The comments provided in the workshops were invaluable in revising the Integrated Reporting Framework and Guidelines, Advisory Standard, Asset Management Guidelines and Long Term Financial Plan Guidelines.

The Department also wishes to thank those who reviewed various draft revised documents and provided feedback. The final documents were significantly improved as a result.

Finally, the Department thanks Localise for designing and facilitating the workshops, and preparing the draft and final revised suite of documents.



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# 1. Introduction

In 2010, the Integrated Planning and Reporting (IPR) Framework and Guidelines were introduced in Western Australia (WA) as part of the State Government's Local Government Reform Program. All local governments were required to have their first suite of IPR documents in place by 1 July 2013.

This Advisory Standard complements the legislative requirement for planning for the future under [Section 5.56 \(1\) of the Local Government Act 1995](#) and the [regulations](#) under Section 5.56 (2) of the Act that outline the minimum requirements to achieve this. There are also separate provisions regulating the [Annual Budget](#) and [Annual Report](#).

The Advisory Standard outlines "Achieving", "Intermediate" and "Advanced" Standards of IPR performance. Local governments should be moving steadily through the Standards, on a pathway of continuous improvement.

The pathway will be different for each local government. The application of IPR needs to be commensurate with factors such as size, resourcing and circumstances. However, high standards can be achieved at a small scale, so there is no presumption that larger local governments will generally be capable of higher standards or vice versa.

The Integrated Planning and Reporting Framework and Guidelines includes a user-friendly "self-assessment good practice checklist" to assist local governments in their continuous improvement.

All local governments should meet the Achieving Standard, which encompasses the minimum regulatory requirements and other provisions that ensure an acceptable minimum standard of practice. The Intermediate and Advanced Standards demonstrate the higher levels to which local governments should aspire as they strive towards achieving best practice.

In addition to this Integrated Planning and Reporting Advisory Standard, the Department of Local Government and Communities publishes a [suite of other documents](#) to assist local governments and communities to develop competence in IPR:

- [Integrated Planning and Reporting Framework and Guidelines](#)
- [Asset Management Framework and Guidelines](#)
- [Workforce Planning Toolkit](#)
- [Long Term Financial Planning Framework and Guidelines](#)
- [Model Long Term Financial Planning](#)
- [Abridged Model Long Term Financial Planning](#)
- [Long Term Financial Planning Tools](#)
- [Community Development: A Guide for Local Government Elected Members](#)
- [Working Effectively with Local Governments: A Guide for Community Sector Organisations](#)

## 2. Strategic Community Plan

Element	Regulatory requirements	Standards
<b>Strategic Community Plan</b>	<p>A Strategic Community Plan:</p> <ul style="list-style-type: none"> <li>(i) Is for a minimum 10-year timeframe.</li> <li>(ii) States community vision, aspirations, and objectives.</li> <li>(iii) Was developed or modified through engagement with the community, and this is documented.</li> <li>(iv) Has regard to current and future resource capacity, demographic trends and strategic performance measurement.</li> <li>(v) Is adopted, or modifications to it are adopted, by an absolute majority of council.</li> <li>(vi) is subject to a full review scheduled for 4 years from when it is adopted.</li> </ul> <p>References:</p> <p><i>Local Government Act 1995, s 5.56</i></p> <p><i>Local Government (Administration) Regulations 1996; Regulation 19C, 19D</i></p>	<p><b>Standard is NOT met:</b></p> <p>If a Council has not adopted a Strategic Community Plan that meets all of the regulatory requirements.</p> <p><b>Achieving Standard:</b></p> <p>Achieving Standard is met when:</p> <ul style="list-style-type: none"> <li>▪ A Council has adopted a Strategic Community Plan that meets all of the regulatory requirements<sup>1</sup></li> <li>▪ The local government has a community engagement policy or strategy</li> <li>▪ Community engagement<sup>2</sup> involves at least 500 or 10% of community members, whichever is fewer, and is conducted by at least 2 documented mechanisms</li> <li>▪ A Strategic Review is undertaken every two years, alternating between a Minor Strategic Review and a Major Strategic Review</li> </ul> <p><b>Intermediate Standard:</b></p> <p>Intermediate Standard is met when:</p> <ul style="list-style-type: none"> <li>▪ The Strategic Community Plan connects most of the activities and services that are delivered by the local government with the community's vision, aspirations and objectives</li> <li>▪ The Strategic Community Plan takes into account a range of relevant external factors, including relevant plans of State and Commonwealth agencies</li> <li>▪ Community engagement involves more than the minimum number of community members as provided for in the Achieving Standard, is inclusive and uses more than</li> </ul>

<sup>1</sup> Note that the IPR Framework and Guidelines refers to community aspirations encompassing vision, outcomes and priorities. These elements will meet the regulatory requirements, however the terminology is flexible. It is acknowledged that different local governments will use different terms, such as goals, objectives, key result areas or key focus areas instead of outcomes.

<sup>2</sup> Refers to Major Strategic Review

Element	Regulatory requirements	Standards
		<p>the minimum number of documented mechanisms that apply in the Achieving Standard</p> <p><b>Advanced Standard:</b></p> <p>Advanced Standard is met when:</p> <ul style="list-style-type: none"> <li>▪ The Strategic Community Plan meets Achieving and Intermediate standards</li> <li>▪ The Strategic Community Plan connects all of the activities and services that are delivered by the local government with the community's vision, aspirations and objectives</li> <li>▪ The Strategic Community Plan demonstrates effectiveness in achieving community objectives</li> </ul>

### 3. Corporate Business Plan

Element	Regulatory requirements	Standards
<b>Corporate Business Plan</b>	<p>A Corporate Business Plan:</p> <ul style="list-style-type: none"> <li>(i) Is for a minimum of 4 years.</li> <li>(ii) Identifies and prioritises the principal strategies and activities the Council will undertake in response to the aspirations and objectives stated in the Strategic Community Plan.</li> <li>(iii) States the services, operations and projects that a local government will deliver over the period of the plan, the method for delivering these and the associated cost.</li> <li>(iv) References resourcing considerations such as asset management plans,</li> </ul>	<p><b>Standard is NOT met:</b></p> <p>If a Council has not adopted a Corporate Business Plan that meets the listed regulatory requirements.</p> <p><b>Achieving Standard:</b></p> <p>Achieving standard is met when:</p> <ul style="list-style-type: none"> <li>▪ A Council has adopted a Corporate Business Plan that meets all of the listed regulatory requirements</li> <li>▪ Year 1 of the Corporate Business Plan establishes the Annual Budget</li> <li>▪ The local government also has in place: <ul style="list-style-type: none"> <li>– a Workforce Plan that meets the Achieving Standard</li> <li>– asset management key performance indicators that meet the Standards*</li> <li>– a Long Term Financial Plan</li> </ul> </li> </ul>

Element	Regulatory requirements	Standards
	<p>finances and workforce plans.</p> <p>(v) Is adopted by Council by absolute majority.</p> <p>Regulations also require that the Corporate Business Plan is reviewed annually, as it is the main 'driver' for the Annual Budget.</p> <p>References:  <i>Local Government Act 1995</i>, s 5.56  <i>Local Government (Administration) Regulations 1996</i>; Regulation 19DA</p>	<p><b>Intermediate Standard:</b></p> <p>Intermediate standard is met when:</p> <ul style="list-style-type: none"> <li>▪ The Corporate Business Plan meets the Achieving Standard</li> <li>▪ Core informing strategies (Workforce Plan, Asset Management Plans, Long Term Financial Plan) have been integrated to drive activities and service delivery</li> <li>▪ The Workforce Plan meets Intermediate Standard</li> <li>▪ Asset key performance indicators are at "Standard is improving"*</li> <li>▪ Financial management key performance indicators meet Achieving Standards</li> </ul> <p><b>Advanced Standard:</b></p> <p>Advanced standard is met when:</p> <ul style="list-style-type: none"> <li>▪ The Corporate Business Plan meets the Achieving Standard and Intermediate Standard</li> <li>▪ All activities and services delivered are integrated through the Corporate Business Plan</li> <li>▪ Asset key performance indicators are at "Standard is improving"* and all financial performance indicators meet Advanced Standards (where applicable)</li> <li>▪ The Workforce Plan meets Advanced Standard</li> </ul>

\* As described in Local Government Operational Guideline Number 18, Financial Ratios, June 2013 available here:  
[https://internal.dlqc.wa.gov.au/Publications/Documents/DLGC\\_LG\\_Operational\\_Guideline\\_18.pdf](https://internal.dlqc.wa.gov.au/Publications/Documents/DLGC_LG_Operational_Guideline_18.pdf)

## 4. Asset Management Plan

Key Performance Indicator	Data and Calculation	Information	Standards
Asset consumption ratio (ACR)	<p>Depreciated replacement cost of assets (written down value) divided by current replacement costs of depreciable assets.*^</p> <p>Expressed as a percentage.</p>	<p>This shows the written down current value of a local government's depreciable assets relative to their 'as new' value in up to date prices.</p> <p>The ratio highlights the aged condition of the local government's stock of physical assets.</p>	<p><b>Standard is not met</b> if ratio data cannot be identified or ratio is less than 50%</p> <p><b>Achieving standard</b> is met if ratio data can be identified and ratio is 50% or greater</p> <p><b>Standard is improving</b> if ratio is between 60% and 75%</p>
Asset sustainability ratio (ASR)	<p>Capital expenditure on replacement or renewal of assets divided by the depreciation expense.*^</p> <p>Expressed as a percentage.</p>	<p>This measures the extent to which assets managed by the local government are being replaced as they reach the end of their useful lives.</p>	<p><b>Standard is not met</b> if ratio data cannot be identified or ratio is less than 90%</p> <p><b>Achieving standard</b> is met if ratio data can be calculated and ratio is 90%</p> <p><b>Standard is improving</b> if ratio is between 90% and 110%</p>
Asset renewal funding ratio	<p>Net present value of planned capital expenditure based on current Departmental guidance on renewals over ten years divided by the net present value of the required capital expenditures on</p>	<p>This indicates whether the local government has the financial capacity to fund asset renewal as required, and can continue to provide existing levels of services in future, without:</p> <ul style="list-style-type: none"> <li>– additional operating income; or</li> </ul>	<p><b>Standard is not met</b> if ratio data cannot be identified or ratio is less than 75%</p> <p><b>Achieving standard</b> is met if ratio data can be identified and ratio is between 75% and 95%</p>

Key Performance Indicator	Data and Calculation	Information	Standards
	renewals over the same period.*^  Expressed as a percentage.	<ul style="list-style-type: none"> <li>- reductions in operating expenses; or</li> <li>- an increase in net financial liabilities above that currently projected.</li> </ul>	<b>Standard is improving</b> if ratio is between 95% and 105% and the ASR falls within the range 90% to 110% and ACR falls within the range of 50% to 75%

\* Further information that will assist local governments to meet the standards, including calculation of ratios is available in the Asset Management Guidelines and Long Term Financial Plan Guidelines.

^ Refer to sections 2 and 3 for further information on the relationship of this key performance indicator to the Strategic Community Plan and Corporate Business Plan standards.

## 5. Workforce Plan

Element	Regulatory Requirements	Standards
Workforce Plan	<p>From the Local Government (Administration) Regulations 1996 19DA (3)c:</p> <p>A corporate business plan for a district is to...</p> <p>develop and integrate matters relating to resources, including asset management, workforce planning and long-term financial planning.</p>	<p><b>Standard is not met</b> if the Achieving Standard is not met.</p> <p><b>Achieving Standard:</b></p> <p>Achieving standard is met when:</p> <ul style="list-style-type: none"> <li>▪ Council has a current Workforce Plan</li> <li>▪ The Workforce Plan identifies the current workforce profile and organisational structure</li> <li>▪ The Workforce Plan identifies gaps between the current profile and the organisation's requirements</li> <li>▪ The Workforce Plan identifies organisational activities to foster and develop workforce</li> <li>▪ The Workforce Plan is budgeted for in the Corporate Business Plan and Long Term Financial Plan</li> </ul>

Element	Regulatory Requirements	Standards
		<p><b>Intermediate Standard:</b></p> <p>Intermediate Standard is met when the Workforce Plan meets the Achieving Standard and:</p> <ul style="list-style-type: none"> <li>▪ Council has a Workforce Planning policy</li> <li>▪ Council has a system to collect and analyse workforce information</li> <li>▪ Organisational activities to foster and develop the workforce are being implemented as planned</li> <li>▪ The Workforce Plan is integrated with other plans</li> <li>▪ Reports to Council identify workforce requirements and implications and Council decision making takes these into account</li> <li>▪ Employees have the opportunity to participate in the workforce planning process</li> </ul> <p><b>Advanced Standard:</b></p> <p>Advanced Standard is met when the Intermediate Standard has been met and:</p> <ul style="list-style-type: none"> <li>▪ Workforce planning, policy and practices are a high priority for the organisation and are incorporated into all planning, decision making, systems, policies and procedures</li> <li>▪ Managers include workforce considerations as an integral part of the local government's operations for which they are responsible and accountable</li> </ul>

## 6. Long Term Financial Plan

Key Performance Indicator	Data and Calculation	Information	Standards
Operating surplus ratio	Net operating surplus, divided by own source operating revenue, expressed as a percentage.*^	This is an indicator of the extent to which revenues raised cover operational expenses only or available for capital funding purposes.	<p><b>Standard is not met</b> if the operating surplus ratio is 0%</p> <p><b>Achieving standard is met</b> if the operating surplus ratio is between 0% and 15%</p> <p><b>Advanced standard is met</b> if the operating surplus ratio is greater than 15%</p>
Current ratio or working capital ratio	Current Assets MINUS Restricted Assets divided by Current Liabilities MINUS Liabilities associated with Restricted Assets	<p>This is a modified commercial ratio designed to focus on the liquidity position of a local government.</p> <p>Expressed as percentage, 1:X, or decimal figure *^</p>	<p><b>Standard is not met</b> if this ratio is lower than 1:1</p> <p><b>Achieving standard is met</b> if the ratio is 1:1 or greater (e.g 100% or 1.0)</p>
Debt service cover ratio	Annual operating surplus before interest and depreciation divided by annual debt service payments (both principal and interest).*^	Also known as 'debt coverage ratio', this is the ratio of cash available for debt servicing to interest, principal and lease payments.	<p><b>Standard is not met</b> if this ratio is lower than 2</p> <p><b>Achieving standard is met</b> if this ratio is greater than or equal to 2</p> <p><b>Advanced standard is met</b> if this ratio is greater than 5</p>
Own Source Revenue Coverage Ratio	Own Source Operating Revenue divided by Operating Expense	This ratio is the measurement of a local government's ability to cover its costs through its own revenue efforts.	<p><b>Standard is not met</b> if this ratio is lower than 0.4</p> <p><b>Achieving standard is met</b> if the ratio is between 0.4 and 0.9</p> <p><b>Advanced standard is met</b> if the ratio is greater than 0.9</p>

\* Detailed information is also available in *Local Government Operational Guidelines Number 18 – June 2013 Financial Ratios*, downloadable from here:

[https://internal.dlgc.wa.gov.au/Publications/Documents/DLGC\\_LG\\_Operational\\_Guideline\\_18.pdf](https://internal.dlgc.wa.gov.au/Publications/Documents/DLGC_LG_Operational_Guideline_18.pdf)

^ Refer to sections 1.1 and 1.2 for further information on the relationship of this key performance indicator to the Strategic Community Plan and Corporate Business Plan standards.

## 7. Annual Report

Element	Regulatory requirements	Standards
<p>What is to be included in the Annual Report</p>	<p>The local government's Annual Report is to contain:</p> <ul style="list-style-type: none"> <li>(i) an overview of the Strategic Community Plan and the Corporate Business Plan, which together constitute the Plan for the Future.</li> <li>(ii) major initiatives to commence or continue in the next financial year.</li> </ul> <p>The Annual Report must also contain details of:</p> <ul style="list-style-type: none"> <li>(i) any modification that was made to the Strategic Community Plan during the financial year; and</li> <li>(ii) any significant modification that was made to the Corporate Business Plan during the financial year.</li> </ul>	<p><b>Standard is NOT met:</b></p> <p>If the local government's Annual Report does not contain the information stipulated in the regulations</p> <p><b>Achieving Standard:</b></p> <p>Achieving standard is met if:</p> <ul style="list-style-type: none"> <li>▪ The local government's Annual Report meets the listed regulatory requirements</li> </ul> <p><b>Intermediate Standard:</b></p> <p>Intermediate standard is met when:</p> <ul style="list-style-type: none"> <li>▪ The Annual Report outlines progress towards the achievement of (4 yearly) Council priorities as established through the Corporate Business Plan</li> </ul> <p><b>Advanced Standard:</b></p> <p>Advanced standard is met when:</p> <ul style="list-style-type: none"> <li>▪ The Annual Report meets Achieving and Intermediate Standards</li> <li>▪ The Annual Report outlines progress towards the achievement of community objectives established through the Strategic Community Plan</li> </ul>

## Contact details

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