

Annual Business Plan & Budget Policy

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References	LGA 'Financial Sustainability' Information Paper No. 13: Annual Business Plan (revised February 2015)
Applicable Legislation	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Related Policies	Community Engagement Policy Prudential Management Policy Strategic Rating Policy Service Range Policy Treasury Management Policy
Related Documents	Annual Business Plan & Budget timetable Strategic Management Plan 2016-2020 Long Term Financial Plan 2018/19 – 2028/29 Infrastructure & Asset Management Plans

1. Policy Statement

The preparation of an annual business plan and budget is a critical component of Council's forward planning and responsible financial management as well as a statutory requirement of the Local Government Act. The purpose of this policy is to provide guidance to Council Members and staff on their respective roles in the process of:

- the preparation, consideration and adoption of the Annual Business Plan & Budget.
- amending and reporting performance against Council's adopted budget.

2. Introduction

A budget expresses the Annual Business Plan in financial terms by providing a one year forecast of income and expenses. The budget is also used to help determine the level of rates required to fund the services and projects outlined in the Annual Business Plan.

Annual Business Plan & Budget Policy

Under section 123 (1) of the Local Government Act 1999, the following is required:

“A Council must have for each financial year-

- (a) an annual business plan; and*
- (b) a budget.”*

Regulation 7 of the Local Government (Financial Management) Regulations 2011, states that each budget of Council must:

Pursuant to section 123(10)(b) of the Act, each budget of a Council under the Act must-

- (a) include budgeted financial statements, which must be presented, other than notes and other explanatory documentation, in a manner consistent with the Model Financial Statements; and*
- (b) state whether projected operating income is sufficient to meet projected operating expenses for the relevant financial year; and*
- (c) include a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and*
- (d) include estimates with respect to the Council’s operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio (previously known as “asset sustainability ratio”) presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.*

3. Definitions

“Annual Budget (AB)” is a financial document used to project future income and expenses and represents the first year in the LTFP (Long Term Financial Plan). A budget is a management tool that enables the effective ongoing management and monitoring of income and expenses (financial performance). It translates the objectives and strategies of the Annual Business Plan in to financial terms.

“Annual Business Plan” is Council’s basic statement of its intended programs and outcomes for the financial year. It links Council’s longer term planning for its area, as set out in its strategic management plans with the allocation of resources in its budget.

“Budget carryovers” represent unspent capital and service improvement budgets, together with unspent grant funds that are carried forward to the following financial year.

“Budget review” is a revised forecast of the original budget or previous budget review and requires the preparation of revised Financial Statements and associated Financial Ratios.

“Financial sustainability” means Council’s long term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

Annual Business Plan & Budget Policy

“Long Term Financial Plan (LTFP)” refers to financial planning to accomplish long term goals. It enables Council to plan for the long term financial sustainability and deliver the Strategic Plan of the organisation. It translates the objectives and strategies of the Strategic Plan into financial terms.

“Whole of life cost” refers to the total net cost incurred when acquiring goods or services and is made up of all initial procurement costs, operating and maintenance costs, disposal costs and termination costs, less the residual value, if any.

4. Principles and Guidelines

The following principles underpin the development of the Annual Business Plan & Budget and budget reviews:

- Realistic budgeting – All budget figures will be realistic, based on the best available information, and utilise a zero-based budgeting approach.
- Financial sustainability – The budget will be developed in alignment with the Long Term Financial Plan which is reviewed annually, towards achieving Council’s policy targets of financial sustainability.
- Avoid cost shifting - We will resist pressure to accept cost shifting from other levels of government.
- Evaluate new initiatives - All significant new operational projects and or new capital work projects, which will result in a significant change in service levels, will be evaluated against Council’s strategic directions, and will include a cost benefit analysis, whole of life costing for the project and a prudential report where appropriate.
- Legislative compliance – The Annual Business Plan & Budget and budget reviews will comply with the relevant requirements of the Local Government Act and associated Financial Management Regulations.
- Council’s Strategic Management Plan - Will include anticipated outcomes for its strategies and timeframes for achievements of these outcomes. The Strategic Management Plan will be updated at least annually to reflect emerging issues and policy changes adopted by Council.

5. Annual Business Plan

The Annual Business Plan is Council’s statement of its intended programs and outcomes for the year and an explanation of the factors which have shaped it. It must align with:

- Council’s key forward planning documents including the Strategic Management Plan, Long Term Financial Plan and Infrastructure & Asset Management Plans
- Achieving Council’s financial indicator targets

The Annual Business Plan will include:

- A summary of Council’s long term objectives, as set out in its strategic management plans
- Significant influences for the year including financial factors, asset renewal needs and progress on continuing projects.

Annual Business Plan & Budget Policy

- Council's specific objectives for the next year against which its performance will be measured.
- A clear and concise illustration of the activities that Council proposes to undertake to meet its long term objectives, including indicators on how it will measure performance in financial terms.
- A summary of proposed sources of revenue for the year.
- Council's proposed approach to rating for the year and what it means for ratepayers.

6. Annual Budget

The Annual Budget is Council's statement of:

- Its intended operating and capital expenditure as well as revenue sources to give effect to its annual business plan
- Its projected financial position

and consists of:

- Income Statement (Statement of Financial Performance)
- Balance Sheet (Statement of Financial Position)
- Cash Flow Statement
- Statement of Changes in Equity
- Uniform Presentation of Finances

It is a fundamental instrument of accountability and prerequisite to deciding the annual rate impost on the community.

Decisions in the annual business plan on matters such as project priorities and levels of service provision are subject to the funds available, as determined through the budget process and in the context of Council's Long-term Financial Plan and Asset and Infrastructure Management Plans.

The type and level of information reporting on the budget varies according to the purpose of the report. Council expects to receive reports at an aggregated level, to allow it to focus on its role of strategically managing Council's affairs.

7. Process and timing of Annual Business Plan and Budget

In November/December each year Council will receive a proposed Annual Business Plan & Budget timetable, which meets legislative compliance with the process and incorporates final adoption of the business plan on or before 30 June of the following year.

Council will receive a draft Annual Business Plan in March/April each year, the principles of which has been reviewed by Council's Audit Committee, either prior to or during the community engagement process, which will be in April/May each year. Following consideration of feedback, Council will adopt the Annual Business Plan and the Annual Budget, prior to 30 June each year.

A clearly expressed and presented summary of the Annual Business Plan and Budget, highlighting the key issues relevant to ratepayers will be included with the first rates notice of the year.

Annual Business Plan & Budget Policy

8. Budget reporting framework

The following budget performance reporting regime will provided Council with transparent and comprehensive information to track performance against the financial targets established in the Annual Budget:

- Monthly Finance report (August – May)
- Budget updates (at least twice per year)
- Mid-year budget review (once per year)
- Report on financial results (one report after completion and audit of annual financial statements for the previous financial year)

8.1 Timing and Content of Budget Reporting to Council

The Finance Manager will prepare a monthly report for all managers/responsible officers, and produce, in the form of a “Uniform Presentation of Finances” Statement, to the Council.

All budget reviews will be in the format as recommended within the LGA financial sustainability papers. All reviews will be presented for discussion by the Senior Management Team before being reported to Council.

a) Budget Reviews

Budget reviews are to be performed and presented to the Audit Committee (if meeting is set) and Council as follows or near to:

Review No:	Budget for the 3 Months Ending	Presented to Audit Committee	Present to Council
1st	30 September	October	November
2nd	31 December	February/March	February/March
3rd	31 March	April / May	May
4th	30 June	October	October / November

The budget reviews are to contain information to satisfy all the appropriate Accounting Standards and Legislative requirements.

Budget reviews 1 to 3 are to also include a list of alterations at Comprehensive Income level detail for all budget alterations along with a high level comparisons for the majority of the financial statements are to be included in the each review.

Budget review 2 is a more comprehensive (mid-year) budget forecast review and will be prepared in accordance with the five principle financial statements (excluding notes) and show a revised full year forecast including the required ratios and presented to Council.

Budget review 4 is a requirement by legislation and performed as part of the finalisation of the annual financial statement to provide a review of the final results against budget on the statement of comprehensive income and the balance sheet. The review is used to identify variance in the budget and also identify uncompleted capital items that will be recommended by staff to be included as an addition in the following years September budget review.

Annual Business Plan & Budget Policy

8.2 Approval of Variations outside the scope of the Budget

Any budget changes outside the scope of the budget will be undertaken through a forecast review or by separate report to Council.

8.3 Approval of variations within the scope of the Budget

Where circumstances so warrant (e.g. for reasons of urgent necessity) the Chief Executive Officer may authorise variations in activity that are within the scope of approved limits for budget items providing that variations made do not:

- In aggregate exceed threshold value limits for that function/activity outlined in the Budget
- Materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original allocation; and
- Impact on any explicit proposals Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in its budget.

Whenever such changes are made, the following Budget Update must include information explaining the rationale for the decision.

8.4 Budget Carryovers

Budget Carryovers should be avoided wherever possible, but where necessary (for example "Work In Progress") are limited to unspent:

- Capital budgets;
- Service improvement budgets;
- Grant funds and grants received in advance.

9. Review Statement & Further information

This Policy will be reviewed once every three (3) years.

This Policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's website: www.coorong.sa.gov.au.

Coorong Civic Centre

95-101 Railway Terrace
Tailem Bend
Phone: 1300785277
Fax: 8572 3822

Meningie Information Hub

49 Princes Highway
Meningie

Tintinara Customer Service Centre

37 Becker Terrace
Tintinara

Copies will be provided to interested parties upon request. Email council@coorong.sa.gov.au.

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer of Council.