



## Annual Business Plan & Budget Policy

Strategic Reference	Provide leadership, good governance, and efficient, effective and responsive Council services
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Responsibility	Director Corporate Services
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Applicable Legislation	Local Government Act 1999 Chapter 8 Part 2  Local Government (Financial Management) Regulations 2011 Part 2 (Regulations 5 -10)
Related Policies	Community Engagement Policy
Related Procedures / Documents	Strategic Management Plan  Long-Term Financial Plan  Infrastructure and Asset Management Plan

### 1. Introduction

- 1.1. 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 1999*. The purpose of this policy is to provide framework for the Elected Council and Council staff in relation to the preparation, consideration, and adoption of the Annual Business Plan & Budget amending and reporting performance against Council's adopted budget.

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## 2. Legislative Requirements and Corporate Policy Context

### 2.1. Part 2 – Local Government Act 1999

## 3. Definition

### 3.1. For the purpose of this policy:

**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.

**Financial sustainability** describes a Council's state when the long term financial performance and position is sustainable and where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

**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. Policy

### 4.1. 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 and based on the best available information.
- Financial sustainability – The budget will be developed in alignment with the Long-Term Financial Plan, towards achieving Council's policy targets of financial sustainability.
- Avoid cost shifting - Pressure to accept cost shifting from other levels of government will be resisted.
- Evaluate new initiatives - All new projects and capital works programs will be evaluated in terms of meeting Council's strategic directions and incorporate a cost benefit analysis which includes whole of life costing.
- 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

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#### 4.2. Annual Business Plan & Budget

##### 4.2.1. The Annual Business Plan

The Annual Business Plan will include all items necessary to comply with section 123(2)(g) of the *Local Government Act 1999* including, but not limited to:

- Council's key forward planning documents including the:
  - Strategic Management Plan;
  - Long-Term Financial Plan; and
  - Infrastructure & Asset Management Plan
- A summary of Council's long-term objectives, as set out in its strategic management plans.
- Council's financial indicator targets.
- Significant influences for the year including financial factors, asset renewal needs and progress on continuing projects.
- 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 both financial and non-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.

##### 4.2.2. The 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 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
- Key Financial Indicators: Surplus Ratio, Net Financial Liabilities Ratio and Asset Renewal Funding Ratio

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

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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.

#### 4.3. Process and Timing

- The budget process will be brought to Council via a style of meeting determined by the Chief Executive Officer during quarter 1 of the calendar year, being quarter 3 of the financial year.
- Information relevant to the process will be presented to Council at this or later meetings of a style determined by the Chief Executive Officer.
- Where necessary, reports will be brought to an Ordinary meeting of Council where decisions are required.
- A draft Annual Business Plan and Budget will typically be presented to Council in March, however, if this is not possible it will be brought to Council as soon practicable.
- Council will be requested to endorse the draft Annual Business Plan for public consultation.
- The draft Annual Business Plan and Budget will be released for public consultation in accordance with Council's Community Engagement Policy following endorsement by Council.
- During the consultation period, the draft Annual Business Plan and Budget will be presented to the Audit and Risk Committee for review.
- Following consideration of feedback, Council will adopt the Annual Business Plan prior to the adoption of the Annual Budget, on or before June 30<sup>th</sup>.
- A clearly expressed and presented Summary Annual Business Plan and Budget will be included with the first rates notice of the year, highlighting the key issues relevant to ratepayers.

#### 4.4. Budget Reporting Framework

Regulation 9 of the *Local Government (Financial Management) Regulations 2011* requires Council to prepare and consider the following reports:

- Budget Updates (At least twice per year)
  - Budget Review (BR) 1 and BR 3 being reports presented in the format of the Uniform Presentation of Finances; and

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- Mid-Year Budget Review
  - BR 2 being the report presented in a manner consistent with the Model Financial Statements, including Financial Indicators.

Regulation 10 of the *Local Government (Financial Management) Regulations 2011* requires the Report on Financial Results to include the audited financial results for the previous financial year compared with the estimated financial results set out in the original budget.

This budget performance reporting regime will provide Council with transparent and comprehensive information with which to track performance against the financial targets established in the Annual Budget.

#### 4.4.1. Timing and Content of Budget Reporting to Council

All budget reports will be in an approved format.

##### 4.4.1.1. Budget Updates

A budget update report is to be prepared and included in the agenda of the Ordinary Meeting of Council in the months of October/November and April/May. The Budget Update will show, at summary level:

- Budget activity for the year to date
- Any variances sought to the most recent revised budget for the financial year
- A revised budget proposed for the financial year; and
- A revised forecast for the financial year.

The budget update report shall include an explanation of any proposed budget variations that have not previously been approved.

##### 4.4.1.2. Mid-Year Budget Review

A more comprehensive (mid-year) budget review will be prepared and presented to Council once it has been reviewed by the Audit Committee.

The mid-year budget review shall be presented in a manner consistent with the Model Financial Statements, including Financial Indicators. This includes the four principal financial statements (excluding notes) and presentation of a revised full year forecast of each item in the budgeted financial statements compared with estimates set out in the original budget. It will also include an explanation of any proposed budget variations that have not previously been approved.

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#### 4.4.1.3. Report on Financial Results

The report on financial results will provide Council with:

- Audited information on aggregate financial results relative to the estimated financial results set out in the original budget for the previous financial year.
- A written explanation of any material variances between actual and budgeted result.

#### 4.5. Approval of Variations

##### 4.5.1. Approval of variations within the scope of the Budget

Where circumstances so warrant (e.g. for reasons of urgently necessity) the CEO may, in consultation with the Principal Member, authorise variations in activity that are within the scope approved limits for budget items providing those 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 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 report must include information from the CEO explaining the rationale for the decision.

##### 4.5.2. Approval of Variations outside the scope of the Budget

Council approval must be sought and obtained before commitments are made that would result in activity materially outside of the approved budget limits where it is practicable to do so.

In considering a request for a revision to its budget Council will consider the impact the approval would have on the achievement of the targets for financial indicators established in Council's original budget. It will also consider the capacity to increase revenue or reduce expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation and the merit of so doing.

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#### 4.6. Carry Forward of Expenditure Authority

The following guidelines apply in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.

- Funding approval for budgeted activity not completed at the end of any budget year is forfeited unless approval to carry forward (carry-over) the activity and associated budget allocation is granted by Council.
- Identifiable projects that will not commence in the year that they have been budgeted for should be re-evaluated and where approved included in the budget for the following year at the time of its adoption.
- **Operating:** Operating activity budgeted for but not expended in a year generally should not be carried forward to the following year unless tied to grant funding.
- **Capital:** Capital projects that have not commenced in one year should be considered against other competing priorities in determining the content of the budget for the following year rather than treated separately as 'carried forward'.

The scope and funding requirements of capital projects and major operating-type activities that are committed or underway but not completed at the end of one financial year needs to be reviewed and the projects/activities considered for carrying forward as soon as possible in the following financial year.

Any request for carrying forward activity needs to clearly highlight whether the scope of each activity item and its associated funding quantum is proposed to be varied from that previously approved and if so, the reasons for same. Any impact on the achievement of the targets for a financial indicator established in Council's original budget for the current year also should be identified.

## 5. Further Information

This policy will be available for inspection at the Council office listed below during ordinary business hours and provided to interested parties as per Council's Fees and Charges Register. Copies are available to be downloaded, free of charge, from Council's website: [www.yankalilla.sa.gov.au/policies](http://www.yankalilla.sa.gov.au/policies)

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## 6. Grievances

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

## 7. Review Cycle

This document will be reviewed annually in advance of the preparation of the Draft Annual Business Plan and Budget or more frequently if legislation or Council requires.

## 8. Document History

Date	Version	Council Resolution No.	Description of changes
July 2020	1.1	C	Update of Policy
July 2020	1.1	C20126	Review and Amended Policy
March 2023	1.2	C23034	Reviewed and Amended Policy
March 2024	1.3	C24051	Reviewed Policy Updated Document Template Adjusted Review Cycle

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