

THE BAROSSA COUNCIL

BUDGET & BUSINESS PLAN AND REVIEW POLICY



Corporate Plan Link:	6.4 Ensure that decisions regarding expenditure of Council's budget are based on an assessment of whole of life costs, risks associated with the activity and advice contained within supporting plans.		
Policy Owner:	Director - Corporate & Community Services	Previous Approval Date(s):	17/02/2009 10/9/2014
Document Control Officer:	Manager Financial Services	Current Approval Date:	15/5/2018
HPE Content Manager Ref:	14/36056*	Next Review Date:	14/5/2022

1. Purpose

- 1.1 This policy provides framework in relation to the preparation, consideration and/or adoption of the:
- Annual Budget and Business Plan (AB&BP) including community engagement
 - Annual review of the Long Term Financial Plan (LTFP) including community engagement;
 - Quarterly Budget Update and Review;
 - Report of Financial Results; and
 - Council Reports for Additional Expenditure.

2. Scope

- 2.1 The accounting policies of Council must comply with Australian Accounting Standards which include Australian equivalents of International Financial Reporting Standards (AIFRS) and 'Australian specific Standards.
- 2.2 Long Term financial budgeting involves developing a detailed framework for Council's proposed services, programs, New Initiatives and outcomes for the relevant financial year and forecasting this over a ten year plan with appropriate controls and indicators to check financial sustainability. It involves decision-making on how, who and when throughout the various stages of the process.
- 2.3 Council's policies are guided by principles of financial sustainability, good governance, advocacy, regulations and service provision and the Community Plan.

3. Definitions

In this policy, unless the contrary intention appears, these words have the following meanings:

Financial Sustainability	A 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
Base Budget	Are 'required' activities that are externally and internally required under the direct control of the Corporate Management Team, a summary of the income and expenditure is provided to Council. All budget figures will be realistic, based on the best available information

Capital Expenditure	Is expenditure spent improving assets through either by building New or Upgrading Assets or Replacing or Renewing Asset. Expenditure on replacement/renewal assets is important to ensure the Financial Sustainability of Council. Therefore priority will be given to expenditure on existing assets rather than adding to Councils asset inventory.
New Initiative (NI)	Is any proposed new, removal, increase or decrease of a Council service/program or asset. This would include projects outside of the budget cycle.
New Initiative Process	All new projects and capital works programs will be evaluated in terms of meeting Council's strategic directions including the Prudential Management Policy requirements.
Bid Analysis Tool (BAT)	Is a tool used to score each New Initiative subjectively using a matrix which includes cost and benefits, risk, environmental, political factors and other relevant information.
Due Diligence	<p>Is an expression used to describe the conduct of a systematic review of a transaction - prior to entering the transaction.</p> <p>The following principles form the core of Due Diligence:</p> <ul style="list-style-type: none"> • efficient and cost effective use of public funds; • accountability, integrity and due process; • compliance; • benefits or needs; and • risk management. <p>Undertaking the required level of due diligence is a legislative requirement and is guided by the Prudential Management Policy. There are four levels of assessment included in the Due Diligence reporting requirements for a project. The four levels are:</p> <p>DDR1) Basic DDR, DDR2) Project Feasibility Study, DDR3) Business Case, and DDR4) Prudential Management Report.</p>
New or Upgrading Assets	Please refer to the Asset Accounting Policy for further guidance; relates to establishing a new asset that does not exist or upgrading an existing asset to achieve new or improved levels of service.
Replacing or Renewing Assets	Please refer to the Asset Accounting Policy for further guidance; relates to replacing or replacing an existing asset that does not provide an improved or increased levels of service, in essence it is putting existing asset back to its original form.
Strategic Management Plans	Pursuant to Section 122 of the Local Government Act 1999, the Council must develop and adopt plans to effectively manage its Local Government Area, to be collectively known as the <i>Strategic Management Plans (SMPS)</i> . Council's SMPS include Infrastructure Asset Management Plans, Long Term Financial Plan and the Barossa Community Plan 2016-2036.

4. Policy Statement

4.1 Annual Budget and Business Plan

4.1.1 The Annual Budget and Business Plan (AB&BP) is intended as a clear public statement of Council's proposed expenditure and revenues to provide services and programs for the relevant financial year.

- 4.1.2 The AB&BP is set to maintain services to the community and continue progress towards the longer term objectives of the Council as set out in the Strategic Management Plans (SMP), in particular the Community Plan.
- 4.1.3 The AB&BP is adopted after being developed through a process - taking account of Clause 4.1.4, Due Diligence requirements and utilisation of the BAT.
- 4.1.4 The preparation of the AB&BP includes numerous processes to produce the document as follows:
 - a) Establish a budget timetable
 - b) preparing zero base budgets
 - c) periodic service level reviews
 - d) new initiative assessment and approval
 - e) review application of indexation
 - f) consider capital expenditure requirements to maintain service levels
 - g) upgrades to meet community needs and new asset requirements
 - h) compliance with relevant legislation
 - i) alignment and measurement to Councils SMPs, Council subsidiaries, revenue, expenditure and financing analysis, valuation information, rating options and implications and reporting service outcomes, functional spend along with financial and non-financial indicators.

4.2 Long Term Financial Plan

- 4.2.1 Council shall prepare, consult and adopt a Long Term Financial Plan (LTFP) for a period of 10 years and update the plan annually.
- 4.2.2 The LTFP is a 'high-level' summarised document estimating the future financial operations and position of Council's particularly in relation to key components such as rate movements, service levels to our community, operating and Capital Expenditure, loan indebtedness and internal cash reserves based on current policy settings of Council
- 4.2.3 The Infrastructure & Asset Management Plans form guide the future replacement, renewal and maintenance of our significant asset base, expenditure relevant to the financial years is included in the LTFP.
- 4.2.4 The preparation of the LTFP includes numerous processes to produce the document as follows:
 - a) financial information and modelling for operating, capital expenditure, assumptions and indexation applied,
 - b) sub-plans for major areas including Waste, Recycling, NCPA, CWMS and then other Council service areas, analysis and
 - c) reporting on financial indicators, Council sustainability and legislative reporting

4.3 Quarterly Budget Update and Review

- 4.3.1 Council will review and update its budget on a quarterly basis after adoption, being undertaken for the quarters ending September, December and March in each financial year.
- 4.3.2 The quarterly budget reviews provide the opportunity for adjustments to be made to the existing budget based on actual financial performance during the year

consistent with actual performance and current trends ensuring that budget estimates are maintained and reviewed to meet key performance indicators.

- 4.3.3 The first update will take account of the financial outcomes for the previous year as disclosed in the Annual Financial Statements.
- 4.3.4 The December budget review provides a more detailed assessment of Councils projected financial position and reviews the long term effect of major budget changes since the original budget adoption and includes statutory financial reports required with explanations for all recommended budget variations.
- 4.3.5 To ensure efficient and effective delivery of services the Chief Executive Officer is authorised to transfer budgeted expenditure where the transfer is expected to have a zero or beneficial net cash impact on the overall Council budget and no significant change across functions and/or service levels during the course of the financial year. Council must be notified of any changes at the next quarterly budget review.
- 4.3.6 Increases to expenditure budgets that do not meet clause 4.3.6 require Council approval. Approval can be sought via the quarterly budget review, or, if the matter is urgent a report shall be drafted for the consideration of Council as part of its ordinary Council meeting (or special meeting if necessary) and if approved the adjustments shall be included in the next quarterly review, see section 4.5 for further information.
- 4.3.7 Reclassification of projects between operating and Capital Expenditure budgets to better reflect requirements in relation to accounting principles is permitted, the reclassification will occur when reasonably practical and Council notified at the following quarterly budget update or review.
- 4.3.8 Carried forward items into the next financial year require Council approval and should be included in the September budget review.
- 4.3.9 Where circumstances so warrant (e.g. for reasons of urgent necessity) the CEO may in consultation with the Principal Member authorise variations in activity that are within the scope of approved limits for budget items providing that variations made do not:
- a) in aggregate exceed threshold value limits for that function/activity outlined in the Budget;
 - b) materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original allocation; and
 - c) 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 from the CEO explaining the rationale for the decision.

4.4 Report on Financial Results to Original Budget

- 4.4.1 The Report on Financial Results is an accountability document for Council to receive audited information on aggregate financial results relative to the estimated financial results set out in the original budget for the previous financial year.
- 4.4.2 The report is a high level summary of both operating and capital investment activities of the Council and includes Uniform Presentation of Finances, the four

principal financial statements, along with the effect to Key Performance Indicators, and the adopted targets. It also provides a comparison and written explanation of material variances between:

- a) the actual results and the original budget for the reporting year; and
- b) the financial results for the current year as compared to the previous year.

4.4.3 The Report on Financial Results also provides the opportunity to report any final adjustments made to the existing budget based on actual financial performance during the year, along with requests for Carried forward items into the next financial year that require Council approval.

4.5 Council Reports for Additional Expenditure

4.5.1 During the year new requests and/or amended services should be approached with caution undertaking thorough checks that changes to the approved AB&BP are a result of responding in a timely manner to opportunities, emergencies and/or other events unforeseen at the time of setting the budget.

4.5.2 Where a commitment of Council funds above the original budget is included within a Council report, to assist in the consideration of these requests requires an assessment of the matter using the processes outlined in section 4.1 of this policy.. The Council report 'Financial Considerations' section must include an assessment of Councils Financial Sustainability to fund this project including the relevant financial information outcomes from the Prudential Management Policy, the BAT score as compared to the most recent Budget discretionary score. Further information depending on the matter may include assessment against the LTFP and financial Key Performance Indicators.

4.5.3 Recommendations presented to Council that have the effect of increasing expenditure (if adopted) must indicate:

- a) where the funds are to be transferred from;
- b) whether additional funding has/is being sourced; or
- c) an allocation from next year's discretionary spend is required; or
- d) is allocating unallocated funds.

4.5.4 Where an item that has a financial implication is raised in the 'Other Business' section of a Council meeting, as a matter of principle Council will seek a report to be presented to a future meeting so that an assessment of the proposal can be made in accordance with this policy.

5. Supporting Process

- TBCPRO4409 Budget & Business Plan and Review Process
- Council report – Financial, Resource and Risk Management Considerations

6. Related Policies

- Prudential Management Policy
- Strategic Rating Policy
- Funding Policy
- Asset Accounting Policy

7. Legislation and References

- Part 2 – Local Government Act 1999

- Local Government Act (Financial Management) Regulations 2011
- Relevant Accounting Standards

8.	Review
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8.1 This Policy will be reviewed by [the Council / Document Control Officer] in consultation with the relevant stakeholders, within four (4) years or more frequently if legislation or Council's need changes.

9.	Further Information
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9.1 This Policy is available on Council's website at www.barossa.sa.gov.au. It can also be viewed electronically at Council's principal office at 43-51 Tanunda Road, Nuriootpa and all Council branches, during ordinary business hours. A copy of this Policy can be obtained at those venues upon payment of a fixed fee.

9.2 Complaints regarding this Policy or its application can be made to the Customer Service team on 8563 8444 or barossa@barossa.sa.gov.au at first instance, who will refer you to the most appropriate officer according to Council's *Complaints Handling Policy* (see clause 9.1 above for availability).

Signed: 
 Mayor Bob Sleedne

Dated: 15/5/2018
 15/5/2018

10.	Policy Version History
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Version No:	Approval Date:	Description of Change:
1.0	17/02/2009	Review
2.0	10/9/2014	Review
3.0	15/5/2018	Policy reviewed and aligned to the Prudential Management Policy