

BUSINESS PLAN AND BUDGET FRAMEWORK POLICY

Type	Governance
Category	Corporate & Community
Responsible Officer	Director Corporate and Community
First Issued / Adopted	24 June 2015
Review Period	2 Years
Last Reviewed	27 April 2022, 26 February 2020, February 2018
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Applicable Legislation	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Related Documents	Community Engagement Policy Financial Reserves Policy Funding Policy Grants Policy Major Projects Prudential Management Policy Rates Policy Treasury Management Policy
Public Consultation Required	No
File Reference	2024.1237 working copy 2025.0769 Master copy
Purpose	To ensure a consistent approach to the development, monitoring, review and reporting of the Business Plan and Budget.

1. INTRODUCTION

Council seeks to be accountable in all aspects of the business plan and budget development, monitoring and reporting to meet the community expectations of transparency of performance and responsible financial management.

The Policy outlines:

- a) the process, timing and considerations associated with the preparation and updating of the Long Term Financial Plan
- b) the process, timing and considerations associated with the development of the business plan and budget documents;
- c) the content, timing and process to be followed for reporting to Council on performance against the planned activities in the business plan and budget impact;
- d) the scope and conditions associated with the approval of variations to the planned activities and the associated budget allocations;
- e) the process for the carry forward of projects and the budgeted allocations into a future budget.

2. LEGISLATION

The Business Plan and Budget shall be prepared by Council in accordance with Section 123 of the Local Government Act 1999 and Regulation 7, 9 and 10 of the Local Government (Financial Management) Regulations 2011.

The draft Business Plan and Budget is subject to a period of public consultation prior to consideration and adoption by the Council.

Section 137 of the Local Government Act 1999 provides that Council may expend its funds as it thinks fit in the performance of its powers, functions or duties. All budgets and reviews of the budget must be adopted by the Council.

The Long Term Financial Plan shall be prepared and updated consistent with Section 122 of the Local Government Act 1999.

3. DEFINITIONS

Annual Budget means the Council's statement of its:

- a) Intended expenses, income and capital expenditure that give effect to its Business Plan for the reporting period;
- b) Cash inflows and outflows associated with intended operating, investing and financing activities; and
- c) Projected financial position at the end of the reporting period.

Annual Financial Statements

Means the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Cashflow Statement (the Principal Statements) prepared in accordance with the Australian Accounting Standards, together with the notes and certification statements prescribed in the Model Financial Statements. (see Uniform Presentation of Finances).

Budget Owners

Means employees that have budget responsibility.

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Business Plan

Means the three year plan of services and programs to deliver outcomes to achieve the strategic community goals. The plan is a three year rolling plan which is updated annually.

Financial Indicators

Mean the financial measures or ratios used to assess the financial performance of Council. The three principal financial indicators are the Operating Surplus Ratio, Net Financial Liabilities Ratio and the Asset Renewal Ratio.

Financial Sustainability

Is when expenditure, income raising and service level decisions are made such that planned long term service and infrastructure levels and standards can be achieved without unplanned increases in rates or disruptive cuts to services.

Long Term Financial Plan (LTFP)

Sets out the projected income and expenses for a period of ten years.

Model Financial Statements

Is a template format for the presentation of the Annual Financial Statements for South Australian Councils, complying with the Australian Accounting Standards and Local Government (Financial Management) Regulations and approved by the Minister.

Net Lending/Borrowing

As specified in the Uniform Presentation of Finances represents the extent to which operating expenses (less depreciation) and capital expenditure exceed funding provided by operating revenue and amounts received specifically for new/upgraded assets. A net borrowing result increases Council's accumulated level of net financial liabilities, whereas a net lending result reduces the level of net financial liabilities.

Uniform Presentation of Finances

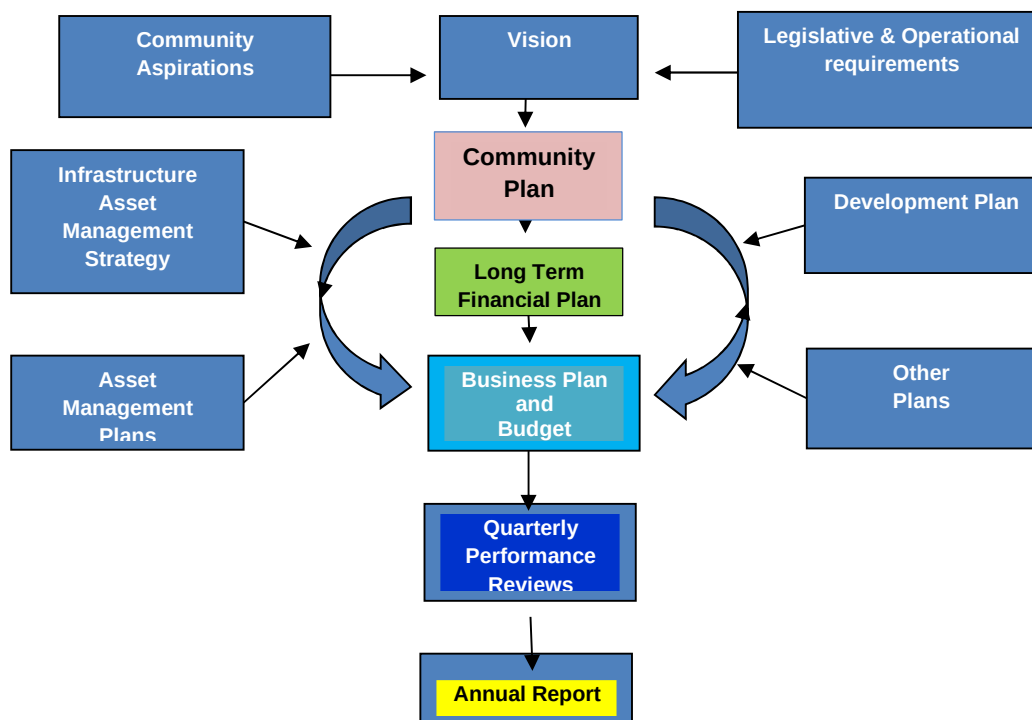
Means the high level summary of both operating and capital investment activities of the Council prepared on a uniform and consistent basis as required by the Model Financial Statements.

4. BACKGROUND

Council maintains a strategic approach to its activities and the delivery of services. The Business Plan and Budget is developed with due consideration of the goals and objectives in the Council's suite of management plans.

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Relationship between Council's Strategic Plans:



5. PRINCIPLES

The following principles underpin the planning process.

Cost Shifting

All attempts will be made to prevent cost shifting.

Fees and Charges

All Fees and Charges will be reviewed on an annual basis; however they may not necessarily be changed.

Financial Sustainability

The Annual Budget will be developed to align with the long term financial plan and with consideration of the impact on the adopted target ranges for the financial indicators.

Grant funding

All grant funded projects are to be considered by management prior to submission of the funding application. Consultation with Council should occur for all large projects. All projects should consider the impact on the budget and the long term financial sustainability taking into account the amount and timing of the council contribution.

Inter-generational

A principle where the aim is to achieve equity where the users of a service pay for that service and the cost is not imposed on a future generation.

Loan Borrowings

The use of loans will be limited to the funding of new or upgrade of assets rather than to fund or support recurrent service delivery.

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Oncost and Full Cost Allocations

All overhead, oncost and internal costs and hire rates will be reviewed on an annual basis to ensure that the methodology and underlying basis for any assumptions remains appropriate, and whether this is to be part or whole recovery of costs.

Realistic Budgets

All budget estimates will be based on the best available information to ensure that they are realistic whether the approach is zero-based or by using a budget base and making incremental adjustment as a result of new information.

Re-allocations of Budgets

Expense increases and the inclusion of new projects and initiatives are to be supported with clear identification of funding whether by re-allocation or new income sources. Large projects are to consider the conditions contained in the Prudential Policy.

Service Levels

Budget should be based on meeting the planned service levels or program activity commitments.

6. LONG TERM FINANCIAL PLAN

A Long Term Financial Plan will be prepared and maintained in accordance with Section 122 of the Local Government Act 1999.

The Long Term Financial Plan is required to be reviewed as soon as practicable after the adoption of the Annual Business Plan for a particular financial year, undertake a comprehensive review within 2 years after a general election and be subject to public consultation.

The Long Term Financial Plan will include ten year projections for operating expenses and income, rates, capital investment and grants, loans and repayments, reserve transactions and other liability transactions.

The following objectives and principles shall be generally recognised in the preparation and review of the Long Term Financial Plan:

Preparation with reference to:

- a) Community Plan
- b) Asset Management Plan (and Capital Works Program)
- c) Rates Policy and 2013 Rating Review
- d) Treasury Policy.

Operating Activities:

Facilities and services reasonably reflect community demand and expectation.

Existing Assets:

- a) Fund replacement and renewal primarily from annual operating revenue (ie cost of depreciation)
- b) Address any identified “backlog” of asset renewal and replacement
- c) Refer to the Capital Works Program (Asset Management Plan) to determine priorities, costings and timeframes
- d) Consider rationalisation and upgrading of existing assets.

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New Assets:

- a) Fund new assets and upgrades to existing assets from grants, surplus or rationalised asset sales, developer contributions and operating surpluses. New loans should be used for major, long-lived assets only
- b) All projects to be assessed to ensure appropriate priorities are assigned
- c) Consider and encourage infrastructure assets provided by developers at no cost to Council
- d) Refer to the Capital Works Program (Asset Management Plan) to determine priorities, costings and timeframes
- e) Consider full life cycle costs and replacement implications.

Debt Management:

- a) Minimise new loans, use only to fund major, long term projects
- b) Consider future repayment implications – impact on future budgets and rate increases
- c) Utilise operating surpluses and excess cash held to minimise future borrowings
- d) Utilise mix of fixed term, variable terms and cash advance debentures.

Financial Reserves:

- a) Minimise use of specific purpose reserves
- b) Use reserves only for the future replacement of infrastructure assets
- c) To identify funds received from third parties for specific purposes
- d) To keep a record of funds received and expended for specific purposes.

Financial Indicators:

Responsible financial indicator targets are regularly set and reviewed.

Key information:

- a) Financial sustainability
- b) Rating
- c) Loans
- d) Reserves
- e) Underlying assumptions for operations
- f) Financial Statements
- g) Capital works Plan summary

Plan Review

The Long Term Financial Plan shall be reviewed and updated every year to include the proposed draft business plan and budget and be available for public consultation. The review will focus on significant variations and the inclusion/exclusion of projects following changes in Council direction.

A full review of the Long Term Financial Plan will be undertaken following a review of Council's Community Plan.

The Audit Committee shall consider and provide feedback to Council on its Long Term Financial Plan, financial sustainability and its consistency with other strategic management plans of the Council.

The Long Term Financial Plan will be updated following the finalisation of the end of year results. It may be updated to include a revised budget where a review includes significant changes, to provide Council with information to assess the impact of the decisions on the long term financial sustainability.

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7. BUSINESS PLAN

The Business Plan will be prepared in accordance with Section 123 of the Local Government Act 1999.

The development of the draft business plan and budget include alignment with:

- a) Community Plan
- b) Asset Management Strategy and Plan initiatives and objectives
- c) Capital Works Program
- d) Long Term Financial Plan projections; and

Consideration of the following:

- a) Business Plan objectives
- b) Long Term Financial Plan objectives
- c) Financial Sustainability Indicator performance compared to the target ranges, particularly the Asset Renewal Funding Ratio
- d) Capacity to complete projects within the budget period and available resources
- e) Carryovers of uncompleted projects from previous year(s)
- f) Existing and projected debt levels and reasons for the use of new loan borrowing
- g) Cash position and availability

Preparation of the draft business plan shall take into account input from:

- a) Ordinary/Special Meetings of Council
- b) Strategic Workshops of Council
- c) Audit Committee
- d) Asset Management Committee
- e) Community feedback and expectation
 - Customer Service Requests
 - Surveys
 - Community Groups
- f) Tour and inspections
- g) Current Business Plan
- h) Department Plans
- i) Management Team input and recommendations

Contents:

- a) Introduction
- b) Mayor & CEO message
- c) Planning Approach
- d) Links to Community Plan
- e) Key Actions
- f) Our Investment
- g) Capital projects
- h) Funding the Business Plan
- i) Rates and Services Charges
- j) Annual Budget
- k) Attachments
- l) Rates Policy
- m) Budget financial statements

Annual preparation schedule:

January:

- a) Review of proposed capital projects in Capital Works Program (Management);
- b) Identification of major influences to operating and capital budgets (Management).

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February:

- a) Review of draft capital works program project priority and capacity (Asset Management Committee).

March:

- a) Preparation of draft operating budget (Management);
- b) Review of consistency with Long Term Financial Plan and Financial Sustainability indicator targets (Audit Committee);
- c) Preparation of rating structure using provisional valuations and Rates Policy (Management).

April:

- a) Preparation of draft Business Plan (Management);
- b) Consideration of draft Business Plan, rating structure and impacts (Council);
- c) Consideration of draft Budget and rating structure (Management);
- d) Approval of the draft Business Plan and Budget for public consultation (Council).

May:

- a) Budget Review 3 (current year) impacts, including potential carryovers;
- b) Public consultation including public meeting;
- c) Review of draft Business Plan and Budget (Audit Committee);
- d) Review of fees and charges (Management);
- e) Identification and consideration of current year budget carryovers.

June:

- a) Adoption of Fees & Charges (Council);
- b) Update of draft budget due to new information and public consultation feedback.

July:

- a) Consideration of community feedback (Council). (Consider whether change is significant and need for further public consultation);
- b) Adoption of Business Plan and Budget, Rates Policy;
- c) Declaration of Rates aim to be by early July.

August:

- a) Circulation of Business Plan Summary and Rate Notices to ratepayers;
- b) Public Notice and Gazettal of Declaration.

8. ANNUAL BUDGET

The primary elements to be considered in the development of the draft annual budget are:

- a) Operating Income – rates, statutory and user charges, grants, investments, reimbursements, other;
- b) Operating Expenses – employee costs, contracts, materials, finance costs, depreciation;
- c) Capital – asset renewal/placement, new/upgrade of assets, capital grants and other contributions;
- d) Loan repayments, liabilities, reserve transactions.

Statutory requirements for the budget financial statements:

- a) Statement of Comprehensive Income;
- b) Statement of Financial Position;
- c) Statement of Equity;
- d) Cash Flow Statement;
- e) Uniform Presentation of Finances.

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9. PERFORMANCE REPORTING

9.1 Community/Business Plan

A regular report setting out the progress of the completion of the Capital works shall be prepared as a minimum, within 30 days of the end of September, December and March, for inclusion in the agenda for the next Ordinary Meeting of Council.

A regular report setting out the progress of the Community/Business Plan shall be prepared within 30 days of the end of September, December and March, to monitor the performance and delivery status of the planned activities. The report shall be considered by Management and then referred to Council.

The report shall include a progress update of planned activities and a review of any emerging issues or matters that may impact the scope of the activities which will have impact on the planned timeline, the level of service or have budget impact.

Where it is identified that there is a reasonable likelihood of major change to a planned activity Directors should bring the issue to the attention of the CEO as soon as it is identified. Within 30 days a separate report is to be prepared for consideration by Management and if needed for consideration by Council and approval of any variation.

9.2 Budget Monitoring

A Financial Report shall be presented to every Ordinary Meeting of Council showing Year to Date information from July up to the end of the previous month. The Report is to provide a high level summary of the financial activities of Council for the financial year to date in the form of the Uniform Presentation of Finances, include a summary of capital works, cash and investment movements and the financial sustainability indicators.

Budget Owners are to monitor the budgets for which they have responsibility and escalate any significant issues to management. Directors should bring any major issues to the attention of the CEO as soon as they are identified.

At the end of each month, Budget Owners are to review the budget variances and advise their Manager or Director of any concerns or anomalies.

9.3 Budget Review

All budgets are estimates and so may need adjustment as new information comes to hand. The regular review of budget allocation is required during the year to allow council to track performance against the budget financial targets.

Consistent with the legislation which requires a budget update at least twice per year and a mid-year budget review, Budget Reviews shall be prepared to reflect the periods ending 30 September, 31 December and 31 March each year. A report shall be prepared for consideration by Management in early November, February and May and be presented to Council later in these months. The report shall consist of:

- a) a written report outlining the Original and Proposed Revised Budgets, significant changes and impact analysis;
- b) a list of the capital projects, funding and summarised operating items, showing the Original Budget, Current Budget, Actual, %, Revised Budget and commentary on major exceptions;

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- c) the full set of four principal statements, along with the Uniform Presentation of Finances and a revised forecast of the Financial Sustainability Indicators.

In addition, a consolidated Budget Review Report shall be prepared and presented to the next available Audit Committee meeting, with a focus on strategic and financial sustainability issues and performance.

A further budget review may be prepared in June, if significant variations to the current budget are likely, and where associated carryover funds may be required to be included in the draft budget for the following year.

9.4 Reporting of Major Projects and Variations

Progress reports

All identified major projects will have a progress report to Council on a minimum of a quarterly basis.

Variance reports

Council is to be made aware of any significant over or under expenditure of any major project or failed grant applications.

For each, a detailed report shall be prepared and presented to Management and Council on each occasion where:

- a) it becomes apparent that the actual expenditure of a current project will significantly exceed the approved budget for the project;
- b) any other project where the circumstances warrant explanation or justification for a major budget variation;
- c) the completion of any project which has incurred under or over expenditure to that budgeted (20% or \$20,000, whichever is greater);
- d) the completion of any project has incurred gross expenditure in excess of \$300,000;
- e) where budgeted grant funds are unavailable and a decision is required on whether to proceed without the expected funding.

Such a report shall be presented to Council at the earliest opportunity and no later than sixty days after the relevant event.

Completion reports

Project completion reports will be submitted within sixty days of practical completion (with an estimation of known costs that have not yet been paid).

9.5 Approval of Variations outside the Scope of the Budget

Council approval must be sought and obtained before commitments are made that would result in incurring of expenses that are outside of budget allocation or delegated authority.

In considering a request for a revision to its Budget, Council will consider the impact that an approval would have on the financial indicator targets established in Council's Original Budget. It will also consider the capacity to increase other income or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation and the merit of doing so.

Where circumstances so warrant (e.g. for reasons of urgent necessity or emergency), the Chief Executive Officer may authorise variations in activity that is

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not within the scope of approved limits for budget items, providing that variations do not:

- a) in aggregate, materially exceed the total budget allocation 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 to the original allocation; and
- c) impact on any explicit proposals Council has included in its Business Plan or has otherwise publicly committed to and accommodated in its budget.

Whenever such changes are made, the next Budget Review report shall include the variations and an explanation and rationale for the decision.

9.6 Carryover of Uncompleted Projects from the Previous Year

Funding approval for budgeted projects not completed at the end of any financial year is forfeited unless approval to continue the project is granted by Council.

Operating activity budgeted for but not expended in a year shall not be carried forward to the following year. Identifiable operating projects that will not commence or be substantially completed in the year that they have been budgeted, should be re-evaluated and included (if appropriate) in the budget for the following year at the time of its adoption.

Capital works that have not been substantially commenced in one year should be considered against other competing priorities in determining whether it should be included in the budget for the following year.

As part of Budget Review 3 (to 31 March) any projects unlikely to be completed by 30 June are to be identified and the budget allocation removed or adjusted for that financial year, to enable consideration for inclusion in the draft Budget for the following year.

10. END OF YEAR REPORTING

10.1 Business Plan

Following the close of the financial year at the end of June each year, a preliminary report shall be presented to Management and then to Council by the end of September each year. The contents will be incorporated into the Annual Report.

The report will include an update on the annual key focus areas and the three year investment priorities.

10.2 Financial Reporting

A draft end of year financial report shall be presented to Management and Council in September each year. The report will provide comparison of budget versus actual results (subject to final end of year adjustments and audit) for the following:

- a) Statement of Comprehensive Income
- b) Uniform Presentation of Finances
- c) Financial Indicators
- d) Major items of variation.

The Audit & Risk Management Committee shall review the Annual Financial Statements and meet with the Council's external auditors to discuss any relevant issues.

Following audit and finalisation of the Annual Financial Statements, a report on the financial results in the form of a Financial Outcomes Report shall be presented to

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an Ordinary Meeting of Council to compare budgets against the audited actual results for the previous financial year, in a format consistent with the Model Financial Statements.

The Annual Financial Statements and the Financial Outcomes Report shall be presented to an Ordinary Meeting of Council following receipt of the auditors audit opinion and review by the Audit & Risk Management Committee.

The audited Annual Financial Statements shall be included as an appendix to Council's Annual Report.

11. FURTHER INFORMATION

This policy will be available for inspection at:

- a) Port Pirie Regional Council Principal Administration Office, 115 Ellen St. Port Pirie;
- b) Crystal Brook Office, 21 Bowman Street, Crystal Brook.

It can be downloaded, free of charge, from Council's internet site: www.pirie.sa.gov.au

Copies will be provided to interested parties upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

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