THE BAROSSA COUNCIL

ANNUAL BUSINESS PLAN AND BUDGET POLICY

1. Purpose

1.1 This Policy directs the management of the preparation, consideration, adoption, amendment and performance reporting of Council's Annual Business Plan and Budget (ABP&B) and Long Term Financial Plan (LTFP).

1.2 In developing the Annual Business Plan and Budget, Council takes several factors into consideration, including :

- a commitment to financial sustainability and intergenerational financing;
- the inclusion of information from adopted strategic management plans;
- a commitment to accountability and transparency in the decision making process; and
- ensuring that value for money is being sought for the services provided.

2. Scope

2.1 This Policy applies to Elected Members and Public Officers of The Barossa Council and provides a strategic approach to the development of the ABP&B and LTFP to deliver the services detailed in Councils Strategic Management Plans.

3. Policy Statement

3.1 <u>Annual Business Plan and Budget</u>

3.1.1 The ABP&B shall be a public statement of Council's proposed expenditure and revenues to provide services and programs for the relevant financial year and will represent the first year of the LTFP.

3.1.2 The ABP&B 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) and Corporate Plan.

3.1.3 In developing the ABP&B, Council shall have regard to inflationary expectations, costs to maintain existing levels of service, compliance with legislative requirements, need for new or upgraded services and assets, and disposal of unnecessary or under-utilised assets.

3.1.4 The Council will undertake an annual process to consider funding requests, which may include requires for new, upgrade or reduction in service levels and assets. The processes will at a minimum include:

- A period to make submissions for funding changes.
- An initial assessment of items to be assessed by officers against the Prudential Management Policy requirements.

- Presentation of submitted information and responses and subsequent selection via Council meeting of those to be included in the draft ABP&B and LTFP.

3.1.5 All items incorporated into the draft ABP&P and LTFP are subject to public consultation and capacity to be funded whilst ensuring the Financial Sustainability principles.

3.2 Long Term Financial Plan

3.2.1 Council shall prepare, consult on, and adopt a LTFP for a period of 10 years and update the plan annually. The first year of the LTFP will be represented by the Annual Business Plan and Budget.

3.3 Quarterly Budget Reviews

3.3.1 Council will review its budget on a quarterly basis after adoption, being September, December and March in each financial year, and shall review, and where necessary, update the budget on a Service Function basis across the organisation aligning trends, estimates or revenues and expenses as understood at the time.

3.3.2 An operating budget that is within its budget allocation at Service Function level shall not require amendment at each quarterly review, regardless of whether some budgeted centres or natural accounts that make up the Service Function are under or overspent. In this instance, the budget does not need to be adjusted as the overall service cost is still within budget. Where this condition is not met, the budget must be appropriately amended and presented to Council for approval.

3.3.3 The September quarter review shall also:
- Take account of the financial outcomes for the previous year as disclosed in the Annual Financial Statements; and
- Include adjustments to be made to existing budget based on actual performance and known trends.

3.3.4 The December quarter review shall also:
- Provide a detailed assessment of Council's projected financial position and review the long-term effect of major budget changes since the original budget adoption and include statutory financial reports required with explanations for all recommended budget variations.

3.3.5 The March quarter review shall also:
- Include items to be carried forward into the next financial year, noting no operating expenditure shall be carried forward unless there are contractual or other legal requirements or, in exceptional circumstances, recommended by the Chief Executive Officer (CEO).

3.3.6 Budget Transfers

a) The CEO is authorised to transfer budgeted expenditure or where new revenues offset expenses through a grant or other program and the transfer or adjustment is expected to have a zero or beneficial net cash impact on the overall Council budget and no change across functions and/or service levels during the financial year. Council will be notified of any changes at the next quarterly budget review.

b) The CEO is authorised to reclassify budget expenditure between operating and capital expenditure budgets to better reflect requirements in accordance with accounting principles. The reclassification will occur when reasonably practical and Council notified at the following quarterly budget review on condition the reclassification does not alter the expenditure commitments in the total budget.

3.3.7 Increases to budget outside Budget Reviews

a) Changes to the budget that do not meet clause 3.3.6 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 Council Meeting if necessary) and if approved the adjustments shall be included in the next quarterly review, refer to section 3.5 .

b) Where circumstances so warrant (e.g. for reasons of urgent necessity such as a natural disaster, pandemic), 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:

- 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 quarterly budget review will include information from the CEO explaining the rationale for the decision.

3.4 Report on Financial Results to Original Budget

3.4.1 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.

3.4.2 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.

3.4.3 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.

3.5 Council Reports for Additional Expenditure

3.5.1 Where there is need for consideration for additional budget allocations for expenditure and it requires consideration before the next quarterly review a report must be provided to Council.

3.5.2 Where a commitment of Council funds above the original budget is included within a Council report, the Council shall be provided relevant financial information including, where applicable, satisfaction of Council's Prudential Management Policy and assessment of impact on the financial Key Performance Indicators for the relevant year.

3.5.3 Recommendations presented to Council that have the effect of increasing expenditure (if adopted) should where appropriate indicate:

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

3.5.4 Where an item that has a financial implication is raised in the 'Other Business' section of a Council meeting, the 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.

3.6 Carried Forward Budgets

3.6.1 Funding approval for budgeted activity not completed at the end of any budget year is no longer available unless approval to carry-over the activity and associated budget allocation is granted by Council.

3.6.2 While there may be one-off exceptions where there is a legal requirement or grant commitment, operating activity budgeted for but not expended in a year will not be carried forward to the following year. Identifiable projects that will not commence in the year that they have been budgeted for should be re-evaluated and where warranted, included in the budget for the following year at the time of its adoption.

3.6.4 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 need to be reviewed and the projects/activities considered for carrying forward as soon as possible in the following financial year.

3.6.5 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.

4. Supporting Processes and Documents

- Community Plan
- Corporate Plan
- Infrastructure and Asset Management Plans

- Annual Business Plan and Budget Process
- Council report – Financial, Resource and Risk Management Considerations

5. Related Policies

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

6. Legislation and References

- Part 2 – Local Government Act 1999
- Local Government Act (Financial Management) Regulations 2011
- Relevant Accounting Standards

7. Review

7.1 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.

8. Further Information

8.1 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.

8.2 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 *Customer Service Policy* (see clause 8.1 above for availability).

9. Document Control

Community Plan Link:	6.2 Ensure that Council's policy and process frameworks are based on principles of sound governance and meet legislative requirements.		
Document Owner:	Chief Executive Officer	**Document Control Officer:**	Manager Financial Services
Consultation Rating:	A — **Audience:** External	**Next Review Date:**	20/6/2027

Version history

Version No.	**Date**	**Description of Change**
1.0	**17/02/2009**	Review
2.0	**10/09/2014**	Review
3.0	**15/05/2018**	Policy reviewed and aligned to the Prudential Management Policy
4.0	**18 April 2023**	Significant review and extracted process type clauses.

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

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.
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
Long Term Financial Plan	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
Infrastructure and Asset Management Plans	The Infrastructure & Asset Management Plans guides the future replacement, renewal and maintenance of Councils; infrastructure and asset base, expenditure relevant to the financial years is included in the LTFP.
New or Upgraded 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.
Service Function	A service function is the actual service being provided and supported through budget allocations of revenue and expenditure e.g. road maintenance.
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 *Strategic Management Plans (SMPS)*. Council's SMPS include Infrastructure Asset Management Plans, Long Term Financial Plan and the Barossa Community Plan 2016-2036.