

Annual Budget and Budget Performance Policy

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Responsible Division	Office of the CEO – Financial Services
Related Documents	Strategic Management Plans: • Community Strategic Plan • Long Term Financial Plan • Strategic Asset Management Plan
Applicable Legislation	<i>Local Government Act 1999</i> <i>Local Government (Financial Management) Regulations 2011</i>

1. Purpose

- 1.1. This purpose of this Policy is to provide direction on Council budgeting, including key principles underpinning budget development for Alexandrina Council as well as providing clear direction to management and staff in relation to amending and reporting performance against Council's adopted budget.

2. Scope

- 2.1. Alexandrina Council is committed to sound budget management practices and transparency in the development and presentation of financial information to the community.
- 2.2. The *Local Government Act 1999* (the **Act**) prescribes that a council must adopt an annual business plan and budget for each financial year and regularly review its performance against budget.

3. Policy Statement

3.1. Annual Budget

- 3.1.1 The budget will comply with requirements of the Act and related regulations. As part of the budget process Alexandrina Council will prepare an annual business plan, which will:
- (a) Address objectives, activities and performance measures of the Council
 - (b) Assess financial requirements
 - (c) Address rating structures and policies
 - (d) Consider the Long-Term Financial Management Plan (LTFP), Strategic Asset Management Plan (SAMP) and the Community Strategic Plan (CSP).

- 3.1.2 The following principles will underpin the budget development:
- 3.1.2.1 *Honest and Accountable* – Council will be honest and accountable in all aspects of the budget process, meeting the community's expectations of transparency and openness with a reporting framework that supports and enhances this. The Annual Business Plan (ABP) will be available each in Council offices and Libraries and on Council's website.
 - 3.2.1.2 *Strategic Approach* – Council will maintain a strategic approach to the delivery of all council services and capital works programs. The budget will respond to the Council's CSP.
 - 3.2.1.3 *Long Term Financial Planning* – A ten (10) year LTFP will reinforce the delivery and achievement of Council's long term strategic objectives in a sustainable manner. All programmes will be regularly reviewed to ensure they fit within the Council's financial framework.
 - 3.2.1.4 *Realistic Budgeting* – All budget figures will be realistic, with the intent of having zero buffers, be based on the best available information and utilise a zero-based budgeting approach where appropriate.
 - 3.2.1.5 *Affordable Rates* – Rates will be set at an affordable level having regard to the Council's strategic directions and its social and economic objectives balanced against the community's ability to pay. Rate increase impacts will be considered within the ten (10) year framework of the long-term financial management plan.
 - 3.2.1.6 *Asset Sales and Debt* – The operational budget will be structured such that there is no reliance on asset sales to fund core services. Debt will be regarded as a tool to be used in a strategic perspective to achieve the provision of services to the community. Debt will be considered:
 - (a) in the context of the strategic objectives of Council
 - (b) in the context of long-term financial forecasts and objectives
 - (c) as funding for long term infrastructure asset creation
 - (d) in the context of Council's Treasury Management Policy
 - (e) as a tool to help Council achieve intergenerational equity.
 - 3.2.1.7 *Financial Control* – Council commits to ensuring that financial and other resources under its control will be used only for approved purposes and within Council's strategic framework and that all risks to Council's finances are properly managed.
 - 3.2.1.8 *New Initiatives* – All new initiatives will be evaluated in terms of meeting Council's strategic directions and incorporate a business case and cost benefit analysis which includes whole of life costing.
- 3.1.3 Community consultation will occur annually on Council's ABP(referred to as the Annual Community Plan) and Budget in accordance with Section 123 of the Act and in accordance with Council's *Community Engagement Policy*.

3.2. Budget Performance

- 3.2.1 Amendments to the budget may be required as further information is received during the year. Reasons for these changes include:
- (a) Different services expected by the Community
 - (b) Additional funding received to carry out new or extended services
 - (c) Projects or services delayed are stopped due to lack of resources
 - (d) Cost increases outside of budget estimates
 - (e) Other budget adjustments as required.
- 3.2.2 The following factors will be considered when updating/amending the budget:
- (a) Commitment to financial sustainability indicator targets
 - (b) Consistency with Council's strategic direction
 - (c) Accountability and transparency in the decision-making process
 - (d) Providing value for money for the services provided
- 3.2.3 Council approval **must be** sought and obtained before commitments are made that would result in activity outside the approved budget. In considering a request for a revision, Council will consider the impact that the approval would have on the achievement of the financial targets established in the adopted budget.
- 3.2.4 Where circumstances warrant, the Chief Executive Officer may authorise variations in activity that are within the scope of approved limits for budget items providing those variations made do not:
- 3.2.4.1 Materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original allocation; and
 - 3.2.4.2 Impact on any explicit proposals Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in its budget.
- 3.2.5 Exceptions may be made for items of an emergency nature, which may be treated as exceptional circumstances.
- 3.2.6 Whenever such changes are made, the following Budget Update or Budget Review must include information explaining the rationale for the decision.
- 3.2.7 New initiatives budget items not completed at the end of any budget year are surrendered unless approval to carry-over the activity and its associated budget allocation is granted by Council.
- 3.2.8 The scope and funding requirements of capital projects already committed or underway but not completed will be reviewed and the projects considered for carrying forward at the next Budget Update or Budget Review, as appropriate. Capital projects that have not commenced in one year should be reviewed and were warranted included in the budget for the following year.
- 3.2.9 A Report on Financial Results will be prepared and included in the agenda of an Ordinary Meeting of Council annually in accordance with the *Local Government (Financial Management) Regulations 2011*.

4. Availability of Policy

- 4.1. This Policy will be available for inspection on the Council's website www.alexandrina.sa.gov.au. Copies can also be provided upon payment of a fee in accordance with Council's Schedule of Fees and Charges.