

1. RATIONALE

To ensure Council's budget is prepared in an accurate and financially sustainable manner giving consideration to both internal and external factors.

2. POLICY STATEMENT

The City of Marion's Strategic Management Framework provides the strategic direction for the development of the Long Term Financial Plan (LTFP) and Annual Business Plan (ABP). Continually improving the integration between Marion's Strategic Plan, LTFP and ABP processes ensures Council develops and implements a robust and transparent system of financial management aligned to Marion's Strategic Plan and aimed at establishing, maintaining and assessing long term financial sustainability.

3. OBJECTIVES

To develop and produce robust, flexible and leading practice long-term (LTFP) and short-term (ABP) financial plans that are directly aligned to Council's Strategic Plan, which: -

- establish clear lines of accountability;
- include the use and assessment of appropriate Key Performance Indicators as a performance measurement tool;
- enable regular monitoring, assessment and reporting of financial performance in all Work Areas across Council;
- provide a strong basis for sound decision making;
- facilitates Council's long term financial sustainability.

4. POLICY SCOPE AND IMPLEMENTATION

Framework and Assumptions

The LTFP and ABP are prepared under a single framework that is reviewed annually and which links to the key objectives of Council's Strategic plan. The framework details the specific parameters under which the LTFP and ABP are set. In addition, a number of assumptions and variables underpin the construction of the LTFP and Annual Budget (AB).

LTFP linked to Asset Management Plans (AMP)

The LTFP is linked to Council's established AMPs thereby identifying funding requirements and assessing the adequacy of existing funding capacity within the LTFP.

Financial Modeling and Scenarios

In preparing the LTFF and AB various financial modeling is to be conducted, including, but not limited to, a variety of:

- Rating scenarios
- Borrowing options
- Savings targets

In addition, appropriate consideration needs to be given to prevailing economic conditions nationally and on a global basis, and the potential impact that these conditions may have on the local community.

Budgeting Approach

- The Budget process will commence with establishing a comprehensive project plan that maps the entire integrated Work Area Planning and budgeting process.
- Work Area Plans are to be aligned with Council's 3 Year Business Plan and fully integrated with the budgeting process.
- Budget assumptions and potential new initiatives are then assessed in consultation with Elected Members.
- Budgets are built using historical actual income and expenditure as a baseline and adjusted for what is actually needed for the upcoming budget period, regardless of the previous budget and must be based on reality.
- Sound, logical assumptions are to be used, tested and documented to support budget items wherever required.
- All expense and revenue lines must be fully justified for each new budget period.
- Budgets are to be reviewed line by line and at transaction level, analysing each line item for its relevant needs and costs.
- Any proposed expenditure increases must be fully justified and appropriately approved by the relevant General Manager and Executive Leadership Team, prior to presentation to Council.
- In regards to Fees & Charges Council will apply the principle of user pays and where possible recover the full cost of operating or providing the service or goods. Where it can be demonstrated that members of the community are unable to meet the full cost, concessions may apply.
- General contingencies are to be eliminated.
- Where necessary budgets for major projects include contingencies to reflect cost uncertainties, however any contingencies are to be separately identified and reported.
- Consideration should be given to:
 - Current year and prior year actual results;
 - Once-off events not to be repeated;
 - New events not previously encountered;
 - New information and data now available.

Budget Objectives

1. Achievement of a breakeven Funding (Cash) position or better.
2. Maintain an average operating surplus over the term of the LTFP that enables the achievement of a breakeven funding (cash) position.

Budget Carryovers

Budget Carryovers should be avoided wherever possible, but where necessary (for example “Work In Progress”) are limited to unspent:

- capital budgets;
- service improvement budgets;
- grant funds and grants received in advance.

Carryovers do **not** include normal operating expenditures and Labour and Internal Charges (eg. Plant Hire) cannot be carried over under any circumstances.

Budget Reviews

Budget Reviews are required to be conducted 3 times per financial year and this will typically be at the end of September, December and March.

A Budget Review is a reforecast of the full year budget and:

- Is an assessment of the YTD actual result plus a reforecast of the budget for the remainder of the financial year;
- Should include a thorough and rigorous review of every budget line item (income, expense and capital);
- Should identify any savings opportunities (once-off and recurrent).

5. DEFINITIONS

Long Term Financial Plan (LTFP) – financial planning to accomplish long term goals. Enables Council to plan for the long term financial sustainability and deliver the Strategic Plan of the organisation. It translates the objectives and strategies of the Strategic Plan into financial terms.

Annual Budget (AB) – is a financial document used to project future income and expenses and represents the first year in the LTFP. A budget is a management tool that enables the effective ongoing management and monitoring of income and expenses (financial performance). It translates the objectives and strategies of the Annual Business Plan into financial terms.

Budget Review – is a revised forecast of the original budget or previous budget review and requires the preparation of revised Financial Statements and associated Financial Ratios.

Budget Carryovers - represent unspent capital and service improvement budgets, together with unspent grant funds that are carried forward to the following financial year.

6. ROLES AND RESPONSIBILITIES

The Senior Leadership Team (SLT) is responsible for the review and approval of all budgets within their Departmental/Work Area responsibility, as well as presenting their finalised budgets to their General Manager and the Executive Leadership Team for clearance and final approval. The SLT is also accountable for justifying variances of actual income and expenditure against budget.

7. REFERENCES

On an annual basis Council is required to:

1. Prepare and adopt a Long Term Financial Plan for a period of at least 10 years - LG Act 1999 s122 (1a)
2. Prepare an Annual Business Plan - LG Act 1999 s123 (1a)
3. Prepare a Budget - LG Act 1999 s123 (1b)
4. Prepare and consider three Budget Reviews – LG (Financial Management) Regulations 2011 s9

8. REVIEW AND EVALUATION

This policy will be reviewed annually as part of the Annual Budget process.