

## 1. INTRODUCTION

The Legatus Group (LG) seeks to be accountable in all aspects of its business plan and budget development, monitoring and reporting to meet its members and Constituent Councils expectations of transparency of performance and responsible financial management.

The Policy outlines:

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

## 2. LEGISLATION / CHARTER

The Business Plan and Budget shall be prepared in accordance with the LG Charter and this Charter must be read in conjunction with the 1999 Local Government Act. The LG must conduct its affairs in accordance with the Act except as modified by this Charter as permitted by the Act.

The Charter requires that:

- The proposed Annual Business Plan and the Budget must be referred to the Constituent Councils at least eight (8) weeks prior to the date of the meeting at which the budget is to be adopted.
- Constituent Councils may comment on the Annual Business Plan and the Budget in writing to the Chief Executive Officer at least ten (10) business days before the meeting at which the budget is to be adopted or through its Board Member at that meeting.
- The Legatus Group must adopt the Annual Business Plan and Budget after 31 May and before 30 June for the ensuing Financial Year.
- The Legatus Group must provide a copy of its adopted Budget to the Constituent Councils within five (5) business days after the adoption of the Budget by the LG.

- Reports summarising the financial position and performance of the LG against the Budget must be prepared and presented to the Board at each ordinary meeting of the Board and copies provided to the Constituent Councils.
- The LG must reconsider its Budget in accordance with the Act and in a manner consistent with the Act and may amend its Budget for a Financial Year at any time before the year ends.
- The LG must submit to each Constituent Council for approval, any proposed amendment to the Budget that provides for an additional financial contribution by the Constituent Councils.
- The contents of the Budget must be in accordance with the Act.

### 3. DEFINITIONS

**Annual Budget** means the LG statement of its:

- Intended expenses, income and capital expenditure that give effect to its Business Plan for the reporting period.
- Cash inflows and outflows associated with intended operating, investing and financing activities; and
- 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.

**Business Plan** means the annual plan of services and programs to deliver outcomes to achieve the strategic community goals.

**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 LGs 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 LG prepared on a uniform and consistent basis as required by the Model Financial Statements.

#### **4. BACKGROUND**

LG 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 LG Strategic Plan.

#### **5. PRINCIPLES**

The following principles underpin the planning process.

**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 and in compliance with the business plan prior to submission of the funding application. Consultation with the board should occur for all large projects. All projects should consider the impact on the budget and the long-term financial sustainability considering the amount and timing of the LG contribution.

LG has the power to incur expenditure as follows:

1. In accordance with a budget adopted by the Legatus Group and approved by the Constituent Councils as required by the Act or this Charter; or
2. with the prior approval of the Constituent Councils; or
3. in accordance with the Act, in respect of expenditure not contained in a budget adopted by the Legatus Group for a purpose of genuine emergency or hardship.

LG has the power to borrow money as follows:

1. In accordance with a budget adopted by the Legatus Group as required by the Act or its Charter.
2. in respect of an overdraft facility or facilities up to a maximum amount of \$100,000 with the prior approval of the Constituent Councils.

**On cost and Full Cost Allocations:** All overhead, on cost 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.

**Service Levels:** Budget should be based on meeting the planned service levels or program activity commitments.

## **6. LONG TERM FINANCIAL PLAN**

LG must prepare and submit to the Constituent Councils for their approval a Long-Term Financial Plan covering a period of at least ten (10) years in a form and including such matters which, as relevant, is consistent with Section 122 of the Act and the Local Government (Financial Management) Regulations 2011 as if the Legatus Group were a council.

LG may at any time review the Long-Term Financial Plan but must undertake a review of the Long-Term Financial Plan as soon as practicable after the annual review of its Business Plan and concurrently with any review of its Strategic Plan.

LG must undertake a comprehensive review of its Long-Term Financial Plan every four (4) years.

The Long-Term Financial Plan will be taken to form part of the LGs Strategic Plan.

## **7. STRATEGIC & BUSINESS PLAN**

Consistent with the Long-Term Financial Plan the LG must:

1. Prepare and adopt a Strategic Plan with a minimum operational period of ten (10) years which sets out the goals, objectives, strategies and priorities of the LG over the period of the Strategic Plan.
2. Prepare an Asset Management Plan, with detailed financials for the first ten years.
3. Submit the Strategic Plan to the Constituent Councils for their approval.

The Legatus Group shall:

1. Prepare an Annual Business Plan linking the core activities of the LG to strategic, operational and organisational requirements with supporting financial projections setting out the estimates of revenue and expenditure as necessary for the period.
2. Consult with the Constituent Councils in compliance with the Charter prior to adopting or amending the Annual Business Plan.
3. Ensure contents of the Business Plan is in accordance with the Act.

## **8. ANNUAL BUDGET**

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

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

Statutory requirements for the budget financial statements:

- Statement of Comprehensive Income.
- Statement of Financial Position.
- Statement of Equity.
- Cash Flow Statement.
- Uniform Presentation of Finances.

## **9. PERFORMANCE REPORTING**

### **9.1 Business Plan**

A regular report setting out the progress of the Business Plan shall be developed for the regular quarterly LG Board meetings and distributed with the agenda to all Constituent Councils.

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 a major change to a planned activity this should be brought to the attention of the CEO as soon as it is identified and then to the LG Board.

### **9.2 Budget Monitoring**

A Financial Report shall be presented to every LG Board Ordinary meeting 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 LG 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.

The LG Audit and Risk Management Committee will also be provided with the financial reports and have access via the read only format to the financials.

### **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 LG to track performance against the budget financial targets. Budget Reviews will form part of the LG Board Ordinary meeting.

This will include a written report outlining the Original and Proposed Revised Budgets, significant changes and impact analysis with 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. This includes the full set of four principal statements, along with the Uniform Presentation of Finances and a revised forecast of the Financial Sustainability Indicators.

#### 9.4 Reporting of Major Projects and Variations

Progress reports: All identified major projects will have a progress report to LG at their LG Ordinary meetings.

Variance reports: LG is to be made aware of any significant over or under expenditure of any major project or failed grant applications.

A report shall be prepared and presented to LG on each occasion where:

- It becomes apparent that the actual expenditure of a current project will significantly exceed the approved budget for the project.
- Any other project where the circumstances warrant explanation or justification for a major budget variation.
- The completion of any project which has incurred under or over expenditure to that budgeted (20% or \$10,000, whichever is greater).
- The completion of any project has incurred gross expenditure in excess of \$200,000.
- 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 LG at the earliest opportunity and no later than sixty days after the relevant event.

#### 9.5 Approval of Variations outside the Scope of the Budget

LG 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, LG will consider the impact that an approval would have on the financial indicator targets established in LG 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 not within the scope of approved limits for budget items, providing that variations do not:

- In aggregate, materially exceed the total budget allocation 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 to the original allocation.
- Impact on any explicit proposals LG has included in its Business Plan or has otherwise 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 commenced at the end of any financial year is forfeited unless approval to continue the project is granted by LG.

Operating activity budgeted for and commenced but not expended in a year may 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.

As part of the budget review during the third quarter of each financial year 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.

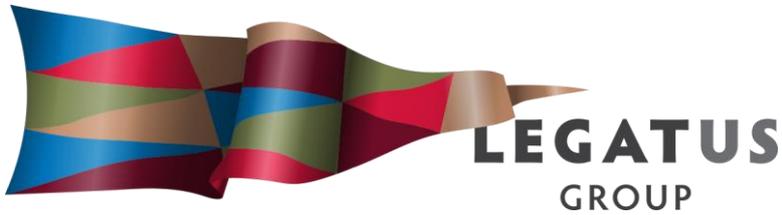
## 10. END OF YEAR REPORTING

The LG must each year, produce an Annual Report summarising the activities, achievements and financial performance of the Legatus Group for the preceding Financial Year. The Annual Report must incorporate the audited financial statements of the Legatus Group for the relevant Financial Year. The Annual Report must be provided to the Constituent Councils by 30 September each year.

The LG must cause adequate and proper books of account to be kept in relation to all the affairs of the LG and must establish and maintain effective auditing of its operations.

The LG must appoint an Auditor in accordance with the Act on such terms and conditions as determined by the LG.

The audited Financial Statements of the LG, together with the accompanying report from the Auditor, shall be submitted to both the Board and the Constituent Councils by 30 September in each year.



## 11. FURTHER INFORMATION

This policy is available for inspection at LG office during ordinary business hours.

It is also available for inspection, download or printing, free of charge, from LG's website at [www.legatusgroup.sa.gov.au](http://www.legatusgroup.sa.gov.au)

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer, Legatus Group, PO Box 419, Clare SA 5453.

## 7. REVIEW

This Legatus Group Policy shall be reviewed by LG within (4) years of the issued date.

Date	Revision Number	Reason for Amendment