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Annual Plan and Budget

2019-20

Including forward estimates

2020-21 to 2022-23

Presented and submitted to the Council on

Wednesday 12 June 2019 by the Right Honourable the Lord Mayor of Brisbane (Councillor Adrian Schrinner)

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Document Overview

Purpose

The Annual Plan and Budget is the key annual operational and financial planning document of Brisbane City Council.

* It provides the funding for the activities of Council for the coming year.
* It states the annual operational plan for the coming year.
* It provides financial accountability for Council through budgeted financial statements.
* It reflects the policies and direction of the Lord Mayor and Council.
* It is consistent with Council’s long-term financial forecast, Corporate Plan and the Brisbane Vision.

Documents

Four documents relating to the 2019-20 Annual Plan and Budget are produced.

* The Lord Mayor's Budget Speech, a transcript of the speech delivered to Council, provides the direction for the operations, programs and financial management of Council.
* The Annual Plan and Budget document provides details of revenues to be raised, program allocations, business information, annual operational plan, budgeted financial statements and the Resolution of Rates and Charges.
* The Annual Plan and Budget Summary document provides an overview and key highlights of the Annual Plan and Budget.
* The Schedule of Fees and Charges document provides details of the fees and charges set for Council products and services for the financial year.

Interpreting the Annual Plan and Budget document

Setting the Annual Plan and Budget

Council has prepared the Annual Plan and Budget in accordance with accrual accounting and reporting procedures required under Australian Accounting Standards. It complies with the *City of Brisbane Act 2010* and the *City of Brisbane Regulation 2012*.

Under the *City of Brisbane Regulation 2012,* Council is required to prepare for the budget year and the next two financial years referencing financial position, cash flow, income and expenditure and changes in equity. The Regulation also requires Council to include its revenue policy, a revenue statement and a long-term financial forecast for the budget year and the following nine years.

The Annual Plan and Budget commences with an overview comparing the budgeted financial allocations for the anticipated 2018-19 financial year and the proposed 2019-20, 2020-21, 2021-22 and 2022-23 financial years. The financial estimates are presented in a **Summary of Recommendations** showing:

* the increase/decrease in operating capability
* the proposed allocations of expenses and estimates of revenue
* the anticipated closing accumulated surplus from 2018-19
* the proposed accumulated surplus at the end of 2019-20, 2020-21, 2021-22 and 2022-23.

Significant assumptions and parameters for long-term forecast

Council's budget process is developed on the following strategic inputs:

* asset management plans, which assess actual asset condition, desired level of service or asset condition, and recommended investment resources to achieve or maintain desired asset condition
* *Local Government Infrastructure Plan (LGIP)* and the *South East Queensland Regional Plan* *(SEQRP)*
* non-infrastructure levels of service
* the administration’s strategic outcomes and target setting.

Budget considerations during the budget development phase include prioritisation of capital and operating expenditure and compliance with credit metrics in the budget year and forecast period. This financial forecasting is prepared on a detailed 10-year long-term financial sustainability model (LTFSM), with outputs of three-way financial statements and a broad range of financial ratios.

LGIP guides Council’s future capital works program and assist with long-term financial and asset management planning. The following table features forecast developer contribution (infrastructure charges) revenue and proposed expenditure on trunk infrastructure within the 2019-20 Annual Plan and Budget. The table also lists the annual cost of planned trunk infrastructure under the LGIP.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Proposed**  **2019-20**  **$000** | **Proposed**  **2020-21**  **$000** | **Proposed**  **2021-22**  **$000** | **Proposed**  **2022-23**  **$000** | **Proposed**  **Total**  **$000** |
| **Revenue** | 90,728 | 115,400 | 137,488 | 137,406 | 481,022 |
| **Trunk capital expenditure** | 293,532 | 309,569 | 336,933 | 419,587 | 1,359,621 |
| **LGIP** | 202,597 | 202,597 | 206,904 | 206,904 | 819,002 |

Purpose of the budgeted financial statements

##### Statement of Income and Expenditure

The Statement of Income and Expenditure outlines the revenues and expenses for the anticipated 2018-19 financial year and the proposed 2019-20, 2020-21, 2021-22 and 2022-23 financial years, calculated on an accrual basis, and provides details of expected financial performance for these periods. Readers can identify the cost of goods and services to be provided and those costs will be recovered from revenues raised based on expected financial performance.

The Statement of Income and Expenditure reflects Council’s operations, including Businesses and Council Providers and indicates an increase or decrease in operating capability.

##### Statement of Income and Expenditure – Businesses and Council Providers

The Statement of Income and Expenditure – Businesses and Council Providers details the revenues and expenses for the anticipated 2018-19 financial year and the proposed 2019-20, 2020-21, 2021-22 and 2022-23 financial years, and reflects the business activities, classified under the *City of Brisbane Regulation 2012*, delivered by Businesses and Council Providers.

##### Statement of Financial Position

The Statement of Financial Position provides information about the resources controlled by Council and other information, which is useful for assessing Council's financial structure, solvency and capacity for adaptation.

The Statement of Financial Position highlights Council’s budgeted financial position at the end of the anticipated 2018-19 financial year and the proposed 2019-20, 2020-21, 2021-22 and 2022-23 financial years, in relevant categories of assets, liabilities and equity.

Assets and liabilities are disclosed as current or non-current based on the likelihood of being liquidated, sold or received within the 12-month Annual Plan and Budget periods. Such items are classed as current assets or current liabilities with all others considered non-current.

The equityprovides an understanding of the budgeted movements in the reserve and the accumulated surplus.

Together, these accounts reflect the net community assets of Council.

##### Statement of Cash Flows

The Statement of Cash Flows indicates the cash movements of Council for the anticipated 2018-19 financial year and the proposed 2019-20, 2020-21, 2021-22 and 2022-23 financial years. It includes payments to employees and suppliers compared with cash received from rate revenue, subsidies and proceeds from sales of assets and investments.

The Statement of Cash Flows, together with other financial statements, helps to assess Council’s ability to generate cash flows to meet its financial commitments.

##### Statement of Changes in Equity

The Statement of Changes in Equityprovides an understanding of the budgeted movement in the accumulated surplus.

Capital and the asset revaluation surplus together represent the amount of wealth currently required and in use by Council for its operations and to maintain its assets and infrastructure at existing levels of operating capability.

##### Long-Term Financial Forecast

The Long-Term Financial Forecast includes Council’s:

* income
* expenditure
* value of its assets, liabilities and equity for 2019-20 and the following nine years.

##### Financial Ratios

As required by the *City of Brisbane Act 2010* and the *City of Brisbane Regulation 2012*, the following measures of financial sustainability are presented for 2019-20 and the next nine financial years.

* Asset Sustainability Ratio
* Net Financial Liabilities Ratio
* Operating Surplus Ratio.

Additional ratios have been included to provide further information to users of the financial statements.

##### Australian Accounting Standards

From 1 July 2019, three new accounting standards advised by the Australian Accounting Standards Board (AASB) will come into effect. These new standards are:

* AASB 16 *Leases*
* AASB 15 *Revenue from Contracts with Customers*
* AASB 1058 *Income for Not-for-profit Entities*

Financial impacts from these new accounting standards will commence in the 2019-20 financial year.

AASB 1059 *Service Concession Arrangements: Grantors* comes into effect from 1 July 2020 and has been included in the budgeted financial statements from the 2020-21 financial year.

Program information

A separate chapter within the 2019-20 Annual Plan and Budget covers each Council program and the activities that they perform.

The Program information is within the following format:

|  |  |
| --- | --- |
| 1 | Program |
|  | Goal |
|  | Description |
|  | Outcomes and financial summary  *The anticipated 2018-19 and proposed 2019-20, 2020-21, 2021-22 and 2022-23 budgets for each outcome* |
| 1.1 | Program outcome |
|  | Outcome description |
|  | Where are we now |
|  | Where do we want to be |
| 1.1.1 | Strategy |
| 1.1.1.1 | Service |
|  | Operating  *The anticipated 2018-19 and proposed 2019-20, 2020-21, 2021-22 and 2022-23 budgets for each service excluding the budget for projects* |
|  | Projects  *The proposed 2019-20, 2020-21, 2021-22 and 2022-23 budgets* |
|  | Total project expenditure combined with rolling projects  *The proposed 2019-20, 2020-21, 2021-22 and 2022-23 budgets for all expenditure projects.* |

Appendix of Schedules

Individual activities that are undertaken to rehabilitate or enhance Council's infrastructure such as roads, footpaths, drainage, parks, etc. are, for the purpose of the 2019-20 Annual Plan and Budget, combined into projects that are termed 'Schedule' projects.

Activities for Schedule projects are listed in the Appendix of Schedules and include a brief description, location and indicative estimate.

Businesses and Council Providers

The following information is included:

* a list of Council’s significant business activities subject to National Competition Policy (NCP) reporting requirements
* schedule for projects undertaken by Businesses or Council Providers detailing the 2019-20, 2020-21, 2021-22 and 2022-23financial years
* an overview detailing Businesses or Council Providers delivering significant activities (subject to NCP reporting requirements) including a budgeted income statement showing the anticipated 2018-19 and proposed budgets for 2019-20, 2020-21, 2021-22 and 2022-23financial years
* Annual performance plans are provided for Transport for Brisbane and City Parking, as required by the *City of Brisbane Act 2010* and the *City of Brisbane Regulation 2012*.

Revenue Policy

Council’s Revenue Policy states the principles that Council proposes to employ in the 2019-20 financial year for levying rates and charges, granting concessions, recovering overdue rates and charges for funding physical and social infrastructure costs for new development.

Revenue Statement

Council’s Revenue Statement provides detail about Council’s revenue raising measures, including rating categories and concessions.

Resolution of Rates and Charges

A formal resolution that sets out the various rates levied by Council and any associated charges, including any special rates and charges for the 2019-20 financial year.

Rounding

Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding. Estimates are rounded to the nearest thousand, and estimates midway between rounding points are rounded up.

Managing Operational Risk

Council manages operational risk by:

* the use of planning, project and program management and risk management methodologies
* developing and maintaining operational plans for the delivery of projects and services
* regular reporting to E&C on all key projects funded by the Annual Plan and Budget
* monitoring the efficiency and effectiveness of services delivered within the Annual Plan and Budget and both quarterly and annual reporting by the Chief Executive Officer to full Council
* ensuring executives and staff within Council are both appropriately skilled and accountable for identifying and effectively managing risks within their area of responsibility
* providing tools, training and advice to the organisation to ensure effective management of risks and compliance obligations
* monitoring and providing assurance that risks are being managed effectively and in accordance with Council policies and standards, laws, regulations and commitments
* providing regular risk and compliance reports for its Executive Management Team
* providing an internal audit function that adopts a risk-based approach to provide assurance over risk management and control activities across Council
* reporting the results of any internal audit reviews to its Executive Management Team.