



Budget Development, Reporting and Amendment Policy

<i>Responsible Officer/s</i>	Chief Finance Officer Chief Executive Officer
<i>Relevant Legislation / Documents</i>	Section 44, 47, 122,134,139,140 - Local Government Act 1999. Financial Management Regulations 5, 5B Regulations 7, 9 and 10 of the Local Government (Financial Management) Regulations 2011 under the Act. Treasury Management Policy
<i>Adopted</i>	25 November 2011
<i>Reviewed</i>	September 2023
<i>Next Review</i>	June 2025

A. Purpose

This policy provides clear direction to management and staff in relation to the development of Council's budget and business plan. This policy also provides direction on the subsequent amendment and reporting of performance against Council's adopted budget.

B. Objective

The intention of the Budget development, reporting and amendment policy is to provide management with a framework to operate within the following:

The requirements to be followed in the development of Council's Annual Budget and Business plan

The content, timing and process to be followed for reporting to Council on its performance against budget;

The scope and conditions associated with the Chief Executive Officer approving variations in activity (that are within the scope of the approved budget allocations) without obtaining Council approval; and

The process required to be followed as well as general guidelines in relation to the carrying forward of expenditure authority associated with projects included in the budget for the previous year.

C. Policy

1. *Annual business plan and budget development*

The budget must be considered in conjunction with the Council's Annual Business Plan and be adopted after 31 May and before 15 August for the ensuing financial year. The budget must comply with the standards and principles prescribed by the regulations under the Local Government Act 1999. The budget shall include the following statements:

- Budgeted statement of comprehensive income
- Budgeted statement of financial position
- Budgeted statement of changes in equity
- Budgeted statement of cash flows

The budget must also state whether the projected operating income is sufficient to meet projected operating expenses for the relevant financial year and include a summary of operating and capital investment activities presented in a manner consistent with the uniform presentation of finances statement within the model financial statements.

As part of the budget process Council will prepare an annual business plan which will address the activities the Council intends to undertake in the ensuing year to achieve its objectives and the key performance indicators that Council will use to assess its performance against its objectives.

Council's key performance indicators will include as a minimum estimates with respect to the Council's operating surplus, asset sustainability and net financial liability ratios presented in a manner consistent with the note in the model financial statements as per Section 5B Budget in the Local Government (Financial Management) Regulations 2011.

The basis for Council's budget each year will, in its initial stages of development, be a zero-based budgeting approach. The result will be evaluated and refined in terms of the Council's Long Term Financial Plan, corporate strategic plans and objectives and within the framework of Council budget assumptions.

The following budget principles will underpin the budget development:

1.1 *Honest and Accountable*

We will be honest and accountable in all aspects of the budget process, the community's expectations of transparency and openness with a reporting framework that supports and enhances this.

1.2 *Strategic Approach*

We will maintain a strategic approach to the delivery of all council services and capital works programmes. All expenditure decisions will align with the Council's future direction outcomes:

- Facilitating a strong regional economy which encourages development opportunities
- Effective, open and accountable governance and leadership
- Maintaining appropriate and sustainable community infrastructure

- Preserving and enhancing the natural environment
- Recognising our heritage and cultural diversity
- Providing a comprehensive range of quality services

1.3 Long Term Financial / Asset Management Planning

Council's 10 year long term financial and respective asset management plan's 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.

Information and priorities contained within the various asset management plans will form the basis for budget submissions other than where Council has considered and approved a report on why this should not be the case.

1.4 Realistic Budgeting

All budget figures will be realistic, based on the best available information and utilise a zero-based budgeting approach.

1.5 Meet Long Term Liabilities

Each budget will be fully funded and reconciled on an accrual basis. A sustainability index of 90 – 110 % is the desired target for asset renewal funding ratio. Adequate provisions will be made to meet Council's long-term liabilities. Over the medium term (3-5 years) Council will achieve an operating surplus.

1.6 Affordable Rates

Rates will be set at an affordable level having regard to the Council's strategic directions balanced against the community's ability to pay.

1.7 Avoid Cost Shifting

We will resist pressure to accept cost shifting from other levels of government.

1.8 New Initiatives

All new initiatives will be evaluated in terms of meeting Council's strategic directions and incorporate a cost benefit analysis which includes whole of life costing.

1.9 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:

- In the context of the strategic objectives of Council
- In the context of long-term financial forecasts and objectives
- As funding for long term infrastructure asset creation
- As a means of spreading the cost of infrastructure over the ratepayers who use it

- As a mechanism to fund temporary cash shortfalls.

A net financial liabilities ratio being less than 100% is considered an acceptable benchmark.

1.10 Financial Control

We commit to ensuring that financial and other resources under our control will be used only for approved purposes and within Council's strategic framework and that all risks to Council's finances are effectively managed.

2. *Timing and content of budget reporting to council*

A Budget Update report is to be prepared and included in the agenda of the Council on a quarterly basis (for the reporting period ending 30 September and 31 March).

The report will highlight at summary level budget activity for the year to date, original and revised budget information, and include the latest revised forecast of expected budget results for the year. The report will include data presented in the format similar to Figure 1.1 in the LGA's Information Paper 25 – Monitoring Council Budget Performance, and an explanation of any proposed budget variations that have not previously been approved.

A comprehensive budget review is to be prepared and included in the agenda of the Council on a half yearly basis (for the reporting period ending 31 December and 30 June). The mid-year budget review will include preparation of the five principal financial statements and show a revised full year forecast of each item in the budgeted financial statements compared with estimates set out in the original budget. The mid-year budget review will also include departmental budgets on a summarised level for the review of the Audit Committee.

Where possible it is a preference that these same budget reports are presented to the Audit Committee prior to the respective Council meetings.

A table that lays out the respective budget reports and the timing of their presentation to Council is provided as follows:

Budget review	Timing of reporting to Council
Budget review 1 (3 months ending September)	October Council meeting
Budget review 2 (mid year budget review)	February Council meeting
Budget review 3 (9 months ending March)	April Council meeting
Audited results versus budget (Local Government (Financial Management) Regulations 2011 regulation 10	November Council meeting in conjunction with presentation of audited financial statements

3. *Timing and content of budget reporting to management*

Budget information is provided to responsible officers as a monthly automatic scheduled email from Council's corporate software system.

4. *Approval of variations outside the scope of the budget*

Council approval must be sought and obtained before commitments are made that would result in activity outside of departmental budget limits or reduce adopted service levels.

In considering a request for a revision to its budget Council will consider the impact the approval would have on the achievement of the targets for financial indicators established in Council's original budget. It will also consider the capacity to increase other revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation and the merit of so doing without affecting the outcomes or services contained within the adopted budget unless the reasons for a reduction are agreed to by Council.

5. *Approval of variations within the scope of the budget*

Where circumstances so warrant (e.g. for reasons of urgent necessity) the Chief Executive Officer 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 Budget Update must include information from the CEO explaining the rationale for the decision.

6. *Guidelines in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.*

Funding approval for budgeted activity not completed at the end of any budget year is forfeited unless approval to carry-over the activity and associated budget allocation is granted by Council.

While there may be one-off exceptions, operating activity budgeted for but not expended in a year generally should 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. Similarly capital projects that have not commenced in one year should be considered against other competing priorities in determining the content of the budget for the following year rather than treated separately as 'carried forwards'.

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

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 on the achievement of the targets for a financial indicator established in Council's original budget for the current year also should be identified.

Should a request for carry forward be approved by Council these amounts will be reflected in the first budget review.

D. Availability

This Policy will be available for inspection at the Council Offices at Loxton or Waikerie during ordinary business hours at no charge.

Copies of this Policy will also be available from Councils website: www.loxtonwaikerie.sa.gov.au or postal copies may be obtained from the Council Office free of charge.

E. Document history and version control

Date	Version	Authorisation	Amendment Details
25/11/2011	1.0	Council meeting	First version
21/03/2014	1.0	Council meeting	No changes noted
17/11/2017	2.0	Council meeting	Amendments noted: clarification of references and amendment of the sustainability index to that of 90 – 110%, improved reporting schedule and addition of document history and version control protocols.
27/03/2019	3.0	Audit Committee	Inclusion of table detailing timing of budget reporting, amendment to Audit Committee / Council report timing
18/02/2022	4.0	Council Meeting	Minor Formatting, Change in Responsible Officer Transfer to New Template
20/09/2023	5.0	Council Meeting	Minor Formatting