

# Budget Policy

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<b>Policy owner:</b>	Chief Financial Officer
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Developing and managing budgets is a fundamental element of Council's financial management framework. Effective budgeting will significantly contribute to the achievement of Council's goals and objectives, particularly when embedded into corporate planning and aligned to strategic plans.

Budgets are utilised to establish and communicate funding priorities, support decision making, set financial controls, and monitor and report financial performance. Effective budget processes, which underpin the efficient allocation of resources, enable Council to more readily identify and respond to change and government priorities.

This Policy provides clear direction to management and staff in relation to budget management and reporting performance against Council's adopted budget.

## Purpose

The intention of the Budget Policy is to provide management and staff with a framework to operate within the following guidelines:

- Operating Result should be positive or breakeven.
- Long Term Financial Plan and the Asset Management Plan should be considered during the budgeting process.
- Critical analysis of fees and charges to ensure income remains at sustainable levels.
- Consideration of new loan borrowings should be consistent with prudent practice and mainly considered to fund capital projects.
- The content, timing and process to be followed for reporting to Council on its performance against budget.
- The scope and threshold limits associated with reporting variations to Council for approval.
- The process required to be followed as well as general guidelines in relation to the carrying forward of expenditure associated with projects included in the budget for the previous year.

## Scope

This policy applies to all budgets under Council's control, including operating budgets, capital annual programs and capital one-off projects.

## Policy Provisions

### Responsibilities

The Responsible Accounting Officer (RAO) is responsible for monitoring the budget and reporting of any material budget variances (as defined in the reporting budget variations section) on a monthly basis.

### Reporting Requirements

On a monthly basis the RAO is to:

- monitor and compare actual income and expenditure with the estimate of Council's income and expenditure
- report any material variances to Council at its next meeting.

No later than two months after the end of each quarter, the RAO must prepare and submit to Council a quarterly budget review statement that shows:

- by reference to the estimate of income and expenditure set out in the management plan that Council has adopted for the relevant year, a revised estimate of the income and expenditure for that year
- a report as to whether or not the RAO believes the statement indicates the financial position of Council is satisfactory, having regard to the original estimate of income and expenditure
- any other information required by the Code.

## Approval Arrangements

Council is to approve any material variances to budget.

## Review procedures

This policy is to be reviewed every four years or in the first 12 months of the new term of Council, whichever is the earliest.

## General Provisions

### Effective Planning and Coordination

Overall responsibility for planning and day-to-day coordination of the budget process resides in the finance area, principally with the Chief Financial Officer.

The elements of effective planning and coordination include:

- setting budget policies
- establishing budget timetables and milestones
- allocating responsibility for budget preparation and review
- documenting budget processes and communicating guidelines.

### Adoption of Budget

In adopting a balanced budget, Council is to ensure that all items of operating and capital expenditure have an identified funding source. In the event a deficit budget is adopted, Council is to attempt to reduce the deficit budget back to a balanced budget position before the end of the financial year the deficit budget relates to, via monthly budget variations reported to Council.

### Monitoring and Reporting against Budget

Council monitors the extent to which budget estimates compare with actual results. This helps ensure financial control and identify where change is required.

Monitoring budget accuracy is the responsibility of all manager, including project managers.

In order to ensure the effective monitoring of budget performance, managers and project managers are provided with relevant, timely and accurate information appropriate to their cost centre on a monthly basis by the Management Accounting team. Managers (including cost centre managers) are required to provide clear and consistent feedback in a timely manner about underlying causes and effects of budget variations, as well as planned actions to manage variations for which they are accountable.

### Reporting Budget Variations

The purpose of this Policy is to ensure that material variances to budget are identified for the Operational Plan and the Long Term Financial Plan and reported to Council for approval on a timely basis.

A reportable material budget variation is defined as below:

- For operational income and expenditure any favourable or unfavourable variation that is greater than \$5,000.
- For capital income and expenditure any favourable or unfavourable variation that is greater than \$10,000.

When reporting material budget variances to Council, each negative budget variation must include a funding source to ensure that the original budget result can be maintained.

It is the responsibility of the relevant budget manager in conjunction with Finance staff to identify material budget variations during monthly financial performance reviews of their relevant cost centre budgets.

## Capital Budgets

Prior to the adoption of any one-off capital project, the following must be detailed by the manager recommending the project:

- Project scope of works
- Risk analysis
- Estimated budget breakdown by cost category, including project managers time, an appropriate contingency, and also estimated whole of life costs
- Estimated timeframe for completion of capital project (including the estimated budget breakdown by financial year), which includes adequate time for any land acquisitions, and allowing sufficient time for any tendering process including evaluation to occur
- Proposed project manager, including a summary of other projects
- currently being undertaken or planned to be undertaken by project manager for the identified budget year, in order to ascertain workload and realistic timeframe for completion

In terms of the Long Term Financial Plan no additional capital projects are to be added to the current operational plan, unless an existing project or projects of the approximate same value are removed from the current Operational Plan to accommodate, or an additional new project manager has been identified and approved by Management.

Any future capital projects that are identified during the course of the Operational Plan are by default to be added to the unfunded capital program. These project costs are also to include whole of life costs in addition to the capital cost.

Any changes to the capital project scope of works that have a budgetary impact are to be reported to Council by the project manager, either a separate standalone report by the project manager, or included in the Monthly Financial Performance Report.

## Carryover of funds between financial years

Project timeframes can span over more than one financial year. It is the project manager's responsibility to estimate the required project budget by expenditure type and financial year prior to the commencement of the project. The timing of the project budget can be refined and amended as the project progresses, reported either via the monthly Finance report, or a separate standalone report.

At the end of each financial year:

- if a project has commenced and has unexpended budget in that financial year these funds can be transferred into the following financial year without the need for a Council resolution, as per Section 211 of the Local Government (General) Regulation 2021.
- If a project has not commenced and therefore has unexpended budget. A Council resolution is required to revote the funds into the next financial year.

Finance Staff will liaise with project managers at the end of each financial year regarding the status of their projects within their responsibility.

### Emergency Events

If an emergency event occurs due to an unexpected or unforeseen event such as storm, flood, fire or earthquake that results in critical urgent works to be undertaken to make safe broken or damaged property, equipment or services, the General Manager is authorised to make such expenditure within the limits of their financial delegations.

As soon as practicable, a report must be prepared and submitted to the next Council meeting, providing details of the event and the expenditure incurred.

### Legislative Context

- NSW Local Government Act 1993
- Local Government (General) Regulation 2021

### Related Documents

- Current Delivery Program and Operational Plan
- Long Term Financial Plan
- Quarterly Budget Review Statement for NSW Local Government
- Code of Accounting Practice and Financial Reporting

### Definitions

Term	Definition
Budget variance	Difference between a budget projection and an actual result.
Carryover	Funds that are transferred between financial years.
Code	Code of Accounting Practice and Financial Reporting
RAO	Responsible Accounting Officer of Council

### Revision History

Revision number	Council resolution	Council meeting date
1	Res No: 14/329	24 November 2014
2	Res No: 17/279	28 August 2017
3	General Manager approval under delegated authority	27 August 2022
4	Res No: 22/354	17 October 2022

