

## Whyalla City Council

<b>Budget Management and Review Policy</b>	
Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	Manager Finance
Policy Adopted	August 2022
Review Period	Two years
Last Reviewed	October 2020
Next Review Date	August 2024
Policy Version Number	6
Applicable Legislation	Local Government Act 1999; Section 123  Local Government (Financial Management) Regulations 2011; Sections 7, 9 and 10
Related Documents	<ul style="list-style-type: none"> <li>• Annual Business Plan and Budget Process Procedure</li> <li>• Budget Monitoring and Review Procedure</li> </ul>
Public Consultation Required	No
Purpose	This policy covers the key principles to consider when developing the annual budget and when making subsequent amendments to, and measuring performance against that budget

## 1. Policy Objective

To provide clear direction to Management and staff in the management, review and reporting of performance against Council's adopted Budget and to increase the accountability of responsible officers by providing a framework to operate within in regard to the following:

- content, timing and process to be followed for development and presentation for adoption of the Annual Budget;
- content, timing and process to be followed for reporting to Council on its performance against budget;
- mechanism for the process of approval of budget variations;
- the scope and conditions associated with the Chief Executive Officer approving variations in activity before obtaining Council approval; and
- the process required to be followed and general guidelines in relation to carry forward of expenditure associated with projects included in the budget for the previous year.

## 2. Scope

This policy covers the presentation of Annual Budget documents and the review of documents for both Operating and Capital Budgets.

## 3. Risk Management

Refer Control Track.

## 4. Definitions – Nil

## 5. Policy Statement

### 5.1 Annual Budget

The Annual Budget will be developed through consultation with senior staff, Elected Members and the community and must be consistent with the objectives of Council's Strategic Plan and Council's Long Term Financial Plan.

The budget should be prepared with the aim of operating within the Key Financial Indicator targets within Council's Long Term Financial Plan. Where this is not the case, commentary shall be included as to why this is not the case and the impact on Council's long-term financial sustainability.

When commencing the Annual Business Plan process, Council will consider and adopt a list of parameters that will form the framework for development of the plan. These would be expected to cover at a minimum the following areas:

- Financial sustainability
- Rating increases
- Service delivery
- Asset management

The budget will be adopted in a format consistent with the Model Financial Statements.

## 5.2 Timing and Content of Budget Review Reporting

Each year, Council receives a total of four Budget Review Reports in the following formats.

### 5.2.1 2 x Budget Update Reports

These are to be prepared for the periods ending 30 September and 30 April each year and included in the Agenda of the Ordinary Meeting of Council for Council review as soon as reasonably practical after these dates. The report will include the following for both operating and capital activities:

- original budget;
- revised budget;
- latest revised forecast of expected result for the year; and
- an explanation of any proposed budget variations that have not previously been approved.

This report will at a minimum present this information in a format consistent with the Uniform Presentation of Finances (Note 16 of the Financial Statements) but ideally will be in the format of a Budget Review, outlined below.

The impacts of the update on Council's Long Term Financial Plan will be discussed.

### 5.2.2 1 x Mid-year Budget Review Report

This is to be prepared for the period ending 31 January each year and included in the Agenda of the Ordinary Meeting of Council for Council review as soon as reasonably practical after this date. The report will include the following:

- Four principal financial statements showing a revised full year forecast compared to estimates set out in the original budget.
- Revised forecast of key performance indicators compared with targets established in the original budget.
- original budget;
- revised budget;
- latest revised forecast of expected result for the year; and
- an explanation of any proposed budget variations that have not previously been approved.

This report will present this information in a format consistent with the Model Financial Statements as well as the Uniform Presentation of Finances (Note 16 of the Financial Statements).

The impacts of the update on Council's Long Term Financial Plan will be discussed.

### 5.2.3 Report on Financial Results

This is an accountability document that compares audited information on financial results and compares this to results set out in the original budget for the previous year, including written explanation of material variances between actual and budgeted in the form of the Model Financial Statements as well as the Uniform Presentation of Finances (Note 16 of the Financial Statements). Variances in the Key Financial Indicators must also be presented.

## 5.3 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 the budget limits. Where administration can identify offsetting funds within the same business unit up to a limit of \$50,000, without impacting on service or project delivery, Council approval is not required.

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 revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to off-set the variation and the merit of doing so.

Where circumstances warrant (e.g. for reasons of urgent necessity), the Chief Executive Officer may, authorise variations in activity. Whenever such variations are made, the following Budget Review or Update Report must include from the Chief Executive Officer a statement of changes and rationale for the decisions. Changes can only be those that do not:

- materially impact on the quantity, frequency, range and 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.

## 5.4 Guidelines in Relation to the Carry Forward of Expenditure included in the Budget for the Previous Financial Year

- Funding approved for non-project budget activity not completed at the end of any budget year is forfeited unless approval to carry-over the activity and remaining budget allocation is granted by Council either separately or as part of a budget update/review, except where that activity is covered by funding already received from an external source.

- Operational and Capital projects that will not commence in the year that they have been budgeted for, will be re-evaluated and considered against competing priorities and where warranted included in the budget for the following year. This will be completed as part of the final Budget Update of the year, unless known earlier.
- The scope and funding requirements of capital and operating activities that are underway or committed but not completed at the end of the financial year must be reviewed and considered for carry forward as part of the first annual Budget Update report.

- 5.5 Project Managers will report, at a minimum, at the mid-year budget review on all Council approved major projects, in detail providing a full review of the status of projects, current expenditure and revenue and current stage of completion.
- 5.6 Finance is responsible for providing timely and accurate budget reports to Directors and Managers each month to assist them to manage financial performance in accord with Council's budget.
- 5.7 Budget savings arising as a result of works and other planned expenditure activities costing less than estimated shall be used in the first instance to offset any over-expenditure against related budget lines and thereafter to improve Council's operating result and reduce the amount of loan borrowings required.
- 5.8 In any year an increase in the scope of budgeted activities or the addition of new budget items or activities must be approved by Council.
- 5.9 Requests from the community for works and other activities not in the current budget may be added to the budget if of sufficient priority in accordance with 5.3 above. All other requests for additional works and activities will be considered during the planning process for the following year's budget.

## **5. Authority**

Adopted by Council – August 2022

## **6. History**

Version 5: adopted by Council – October 2020

Version 4: adopted by Council – September 2015

Version 3

Version 2: adopted by Council – October 2012

Version 1: adopted by Council – September 2008