

# POLICY

<b>Policy Name</b>	Budget Framework Policy
<b>Policy Category</b>	Governance
<b>Department / Officer</b>	Office of Chief Executive Officer / Group Manager Governance and Finance
<b>Date Adopted</b>	26 March 2012
<b>Date/s Reviewed</b>	September 2014, August 2016, 25 February 2019; 5 September 2022
<b>Review Frequency</b>	Every Three Years
<b>Strategic Plan Reference</b>	Aspiration 6 – We are a financially sustainable and well-governed organisation Strategy – Manage council’s finances and resources sustainably
<b>Attachments</b>	Nil

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## 1. Purpose

The purpose of this policy is to provide a framework for Council and Management in relation to the preparation, consideration, adoption, and review of the Annual Budget / Business Plan in compliance with the legislation.

## 2. Scope

The policy applies to all Council budgetary decisions.

## 3. Policy Statement (Summary)

The City of Victor Harbor is committed to maximising accountability for the efficient delivery and management of Councils’ resources, to achieve budgeted outcomes as outlined in Council’s Annual Business Plan.

## 4. Legislation and Compliance

*Local Government Act 1999:*

- Section 123 – Annual business plans and budgets

*Local Government (Financial Management) Regulations 2011:*

- Regulation 7 – Budgets
- Regulation 9 – Review of budgets
- Regulation 10 – Report of financial results

## 5. Definitions

**Annual Budget** means the Council's statement of:

- its intended expenses, revenue and capital expenditure that give effect to its Annual Business Plan for the reporting period;
- its cash inflows and outflows associated with intended operating, investing and financing activities; and
- its projected financial position at the end of the reporting period.

**Annual Business Plan** means the Council's statement of its intended programs and outcomes for the year.

**Annual Financial Statements** means the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cashflow Statement (the Principal Statements) prepared in accordance with the Australian Accounting Standards, together with the Uniform Presentation of Finances.

**Capital Budget** means expenditure or income directly related to the creation, renewal or upgrade of an asset (in the care and control of Council) in line with capitalisation thresholds detailed in Council's 'Asset Accounting Policy'.

**Financial Indicators** mean the financial measures or ratios used in the management plan, annual reports and other internal and external reports to guide or assess the financial performance and position of the Council. The three principal financial indicators are the Operating Surplus Ratio, Net Financial Liabilities Ratio and the Asset Renewal Funding Ratio.

**Financial Sustainability** occurs when expenditure, revenue 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.

**Major Financial Activity** means when funds are required that will impact the bottom line of the overall budget and may affect meeting financial indicator targets.

**Minor Budget Transfers** means when funds are transferred within or across departments within the City of Victor Harbor, which do not impact the bottom line of the overall budget.

**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 Council's accumulated level of net financial liabilities, whereas a net lending result reduces the level of net financial liabilities.

**Operating Budget** means expenditure and income related to the ongoing provision of Council services including recurring activities and programs, maintenance and depreciation.

**Uniform Presentation of Finances** means the high-level summary of both operating and capital investment activities of the Council prepared on a uniform and consistent basis as required by the Model Financial Statements.

## 6. Policy Content

### 6.1 Roles and Responsibilities

Budget officers are responsible for:

- preparing budget estimates for recurring activities;
- preparing project proposals for new initiatives or increased levels of service;
- submitting documentation to the relevant Director within communicated timeframes.

Senior Management Team are responsible for reviewing prepared documentation including:

- accuracy of recurring budget estimates;
- accuracy of estimates and information provided in project proposal forms;
- ensuring evidence is provided showing linkages to strategic documents such as Asset Management Plans, Long Term Financial Plan and the Community Plan;
- submitting reviewed and authorised documents within communicated timeframes.

The Group Manager Governance and Finance, Team Leader Financial Accounting, Team Leader Management Accounting are responsible for:

- integrity checking of the submitted information;
- providing collated draft budgets to the Senior Management Team for discussion;
- preparation of workshop / Council reports;
- preparation of budgeted financial statements;

### 6.2 Annual Business Plan and Budget

The Annual Budget shall be prepared in conjunction with the Annual Business Plan to ensure strong linkages and in accordance with Section 123 of the *Local Government Act 1999*.

The Annual Business Plan and Budget must be adopted by Council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 15 August for the financial year. The order of consideration by Council shall be as follows:

1. Annual Business Plan
2. Budget
3. Rating Policy

The Annual Business Plan and Budget presented to Council will be prepared in accordance with the *Local Government (Financial Management) Regulations 2011*.

### **6.3 Budget Reviews**

A Budget Review is to be prepared and presented to an Ordinary Meeting (including a presentation to the Audit Committee) of Council at least twice between 30 September and 31 May, generally coinciding with completion of the first and third quarter of the financial year. The report will highlight at Summary level, Original Budget, subsequent Budget Reviews, Year to Date Actual information and variance between Actuals to latest adopted Budget Review

The Budget Review will be prepared in accordance with the *Local Government (Financial Management) Regulations 2011*.

### **6.4 Mid-Year Budget Review**

A Mid Year Budget Review reflecting the budget progress as at 31 December is to be prepared and presented to the first Audit Committee meeting after 31 December and subsequently to Council by the end of the following February.

The Review will provide:

- a written report outlining the Original Budget, subsequent Budget Reviews, significant changes and impact analysis;
- a summarised listing of capital and operating items, showing the Original Budget, subsequent Budget Reviews, Actual to Date, variance between Actuals and latest adopted Budget Review and explanations of significant changes.

The Mid-Year Budget Review will be prepared in accordance with the *Local Government (Financial Management) Regulations 2011*.

### **6.5 Report on Financial Results**

A Report on Financial Results prepared in accordance with the *Local Government (Financial Management) Regulations 2011*, showing the audited results of the previous financial year compared with the estimated financial results set out in latest adopted Budget Review, is to be prepared and presented to a Council meeting after the conclusion of the balance date audit and prior to the following 31 December.

The report will include the Original Budget, subsequent adopted Budget Reviews, Actual Audited Results and variance between Actual Results and the latest Budget Review adopted by Council for each of the following

- Financial Statements in accordance with the *Local Government (Financial Management) Regulations 2011*.
- A Financial Indicators Supplementary Report
- A Summary Report on the Capital and Operating Activities for the year.

## 6.6 Approval of Variations within the scope of the Budget

Where circumstances warrant, (i.e. minor budget transfers within an activity area or portfolio), the Chief Executive Officer may authorise variations to budget lines 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 explicitly 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 review must include information from the Chief Executive Officer explaining the rationale for the decision.

## 6.7 Approval of Variations outside the scope of the Budget

### 6.7.1 Council

Council approval must be sought and obtained before commitments are made that would result in major financial activity outside of budget limits or delegated authority.

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. Council 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 doing so.

### 6.7.2 Delegation

Council has exercised the powers contained in Section 44 of the Act delegating the Chief Executive Officer the power pursuant to Section 36 (1)(c) of the Act, whereby the Chief Executive Officer: *"has the power to do anything necessary, expedient or incidental to performing or discharging its function or duties or to achieving its objectives"*

Where circumstances so warrant (e.g. for reasons of urgent necessity), the Chief Executive Officer may authorise variations in activity that are not within the scope of approved limits for budget items providing that variations made do not:

- in aggregate, materially 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 to 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 next Budget Update Report to Council must include the variations and an explanation and rationale for the decision.

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

Operating activities budgeted for but not expended in a year will not be carried forward to the following year unless approval to carry-over the activity and the associated budget allocation is granted by Council. Identifiable projects that will not commence or be substantially completed in the year that they have been budgeted for should be re-evaluated and 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 a financial year (*work in progress*) need 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 an activity needs to clearly highlight whether the scope of each item and its associated funding quantum is proposed to be varied from that previously approved and if so the reasons for the same. Any impact on the achievement of the targets for a financial indicator established in Council's original budget for the current year also should be identified.

### **7. Risk Management**

Council invests significant time and resources in developing long term planning documents and strategies towards achieving financial sustainability. There is a significant risk to Council's financial future if these strategies are not followed through the annual budgeting and budget review processes.

### **8. Implementation/Delegations**

The Council must adopt an annual budget and review it in accordance with the legislation and this Policy. It cannot delegate this power, nor delegate the power to expend monies on goods and services outside of the budget.

The Chief Executive Officer has the delegated authority to implement this, Policy.

### **9. Related Documents**

Long Term Financial Plan

Asset Management Plans  
Community Plan 2030  
Delegations Register  
Risk Management Policy

## 10. Availability of Policy

This policy is available on Council's website at [www.victor.sa.gov.au](http://www.victor.sa.gov.au).