

	<h2>Budget Preparation and Review Policy</h2>	Version No:	2.2
		Issued:	July 2016
		Last Review:	January 2020
		Next Review:	January 2022

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Responsibility:	Governance
Minutes reference:	10.1.1 per Ordinary Meeting of Council 18 February 2020
Policy level:	Discretionary (refer LGA's Financial Sustainability Information Paper No. 25)
Next review date:	Council will endeavour to review this policy every two (2) years.
Applicable Legislation:	<i>Local Government Act 1999 (s123)</i> <i>Local Government (Financial Management) Regulations 2011</i>

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1. INTRODUCTION

This policy provides the preferred process with regard to the preparation of the annual budget and clear direction to management and staff in relation to amending, and reporting performance against, Council's adopted budget.

2. POLICY OBJECTIVES

The intention of this policy is to provide management with a framework to operate within in regard to the following:

2.1 Annual Budgets

- The timing of when the budget process is to commence and be completed by.
- The process of how the budget is compiled.
- What the Annual Budget is to include and how it is to be presented.

2.2 Reporting on Budget Performance

- The timing of when a review is to be conducted and reported to Council on performance against budget (Budget Reviews).
- The process of how a budget review is undertaken.
- What a budget review should include.

2.3 Budget Variations and Amendments

- Scope and conditions of Budget Amendments Outside Budget Allocations.
- Scope and conditions of Budget Amendments Within Budget Allocations.

2.4 Carrying Forward of Expenditure

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

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3. POLICY STATEMENTS

3.1 Annual Budgets

- 3.1.1 As per the Local Government Act 1999 Sec 123 (8), Council must adopt an Annual Budget (as well as an Annual Business Plan) each financial year, between the 31 May and the 31 August.
- a) Council staff aim to provide a Draft Budget to Elected Members for consideration between May and June each year, with the final budget being adopted between June and July.
- 3.1.2 There are many aspects that come into the preparation of each years' budget & Annual Business Plan:
- a) Assessment of road work priorities based on Councils 10-Year Roadworks Program and annual district road inspection undertaken by the elected body along with the Works Manager. Customer Action Requests and school bus routes are also taken into account for these road work priorities
- b) Review of Infrastructure & Asset Management Plan along with each associated 10-year programs
- c) Latest Long Term Financial Plan
- d) Projects identified during the preceding year
- e) Review of Budget versus Actual as at 3rd quarter budget review of preceding year
- f) Identification of grant funding expected to be received
- g) Discussions at Staff meetings during budget preparation and/or memos, emails between Functional Managers and Finance Manager
- h) Preparation of Annual Business Plan
- 3.1.3 The contents of the Annual Budget are to include the following and can be included in Councils Annual Business Plan:
- a) Uniform Presentation of Finances, Key Financial Indicators, Comprehensive Income, Financial Position, Statement of Equity and Cash Flows
- b) Operating Statement by Function/Activity
- c) Capital Expenditure detail (showing Asset Class, Renewal/Replacement or New/Upgraded)
- 3.1.4 More detailed budget documentation will be prepared for internal use (not included in the official budget and not limited to):
- a) Budget Detail per Functional Area
- b) Rate Determination Statement
- c) Salary Estimate calculation sheet
- d) Road Construction Program
- e) Machinery Hire calculation sheet
- f) Overhead Calculations

Both the Draft Budget and Final Budget are to be tabled for review and consideration by the Audit Committee prior to being tabled with the full Council.

3.2 Timing and Content of Budget Reporting to Council

The legislative framework of budget performance information consists of three types of reports:

1. Budget Update (at least twice per year) – following end of Quarters 1 and 3 of the financial year;
2. Mid-year budget review (once per year); and
3. Report on Financial Results (one report after completion and audit of annual financial statements for the previous financial year).

Budget Update reports are to be prepared and included in the agenda of the Councils Audit Committee and Ordinary Meeting of Council following the end of quarters 1, 2 & 3 and after audit of financial statements. 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.

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The report will include data presented in the format similar to Figures 1.1 and 2.1 in the LGA's Financial Sustainability Information Paper 25 – *Monitoring Council Budget Performance* and an explanation of any proposed budget variations that had not been previously approved.

3.3 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. Approval for these variations can be sought at any Ordinary Meeting of Council and will be included in the next Budget Update report following.

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.

3.4 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 not within the scope of approved limits for budget items providing that variations made do not:

1. In aggregate exceed threshold value limits for that function/activity outlined in the Budget;
2. Materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original allocation; and
3. 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 Chief Executive Officer explaining the rationale for the decision.

3.5 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 (or subsequent budget reviews). 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 achievement of the targets for a financial indicator established in Council's original budget for the current year also should be identified.

4. AVAILABILITY OF THE POLICY

This Policy will be available for inspection at Council's principal office during ordinary business hours and on the Council's website www.wudinna.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.