

	B300 BUDGET FRAMEWORK POLICY	Version No:	5
		Issued:	18 February 2020
		Next Review:	December 2021

1. Introduction

In accordance with the Local Government Act 1999, Section 123, and the Local Government (Financial Management) Regulations 2011, Council is required to prepare, review and report on its budget every financial year.

2. Purpose

The purpose of this policy is to provide guidance and clarity in relation to budget preparation, review and reporting performance against Council's approved budget. In particular the:

- content, timing and process to be followed for reporting to Council a revised forecast (or Budget Review) against the approved budget;
- scope and conditions associated with the Chief Executive Officer approving variations in activity (that are within the scope of the approved budget) without obtaining Council approval; and
- process to be followed in relation to the carrying forward of expenditure (work in progress) associated with projects included in the budget for the previous year.

3. Policy Statements

3.1 Strategic Framework

The City of Mount Gambier is committed to an integrated approach to strategic planning and budgeting, formalised in the City of Mount Gambier's Integrated Planning and Budget Framework.

3.2 Budget Lifecycle - Timing and content of budget reporting to Council

Annual - budget

The Local Government Act 1999, Section 123 states that Council must have, for each financial year an annual business plan and a budget.

Planning and establishing the annual business plan and budget for the next financial year begins in November and continues until the budget is approved i.e. after 31 May and before 31 August. The budget process includes, but is not limited to:

- Workshops with Elected Members to determine strategic priorities and forward direction of Council;
- Review of Council's strategic management plans including the Infrastructure and Asset Management Plan and the Long Term Financial Plan; and
- Determination of key assumptions and drivers, including for example: service levels, rating increases, consumer price index, etc.

An annual business plan and budget for the next financial year must be adopted by Council after 31 May and before the 31 August.

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Budget Reviews

Monitoring of Council’s annual budget against actual performance at regular intervals and making informed adjustments to align the budget to changes in expectations and new information is an important tool of Council in managing the risk that its strategic management plans will not be achieved or may be exceeded.

In accordance with the Local Government (Financial Management) Regulations 2011, Regulation 9 requires Council to prepare and consider the following reports relating to the review of budgets:

“9.1(a) At least twice, between 30 September and 31 May (both dates inclusive) in the relevant financial year (where at least 1 report must be considered before the consideration of the report under sub regulation (1)(b), and at least 1 report must be considered after consideration of the report under sub regulation (1)(b)) - a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;

9.1(b) Between 30 November and 15 March (both dates inclusive) in the relevant financial year – a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

9.2 A council must also include in a report under sub regulation (1)(b) revised forecasts for the relevant financial year of the council’s operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.”

Additionally, any rollover of capital works from one year to the next is to be presented for Council adoption as soon as possible after the finalisation of the previous year’s financial statements.

Council has scheduled to undertake and present the capex rollover and the budget reviews /revised forecasts as follows:

Table 1: Budget Review Schedule

Budget Review	Inclusive Dates	Council Meeting
Work in Progress	1 July to 30 June	August-September
Quarter One (BR1)	1 July to 30 September	November
Quarter Two (BR2)	1 October to 31 December	February
Quarter Three (BR3)	1 January to 31 March	May

Section 123 7(a)(b) of the Local Government Act 1999 (the ‘Act’) states that each budget of council must:

- “7(a) Be considered in conjunction with the council’s annual business plan (and must be consistent with that plan, as adopted); and
- 7(b) Be adopted by the council after the council has adopted its annual business plan.”

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Budget review reports highlight, at summary level, year to date actuals, original budget, as well as the latest revised forecast for the year.

Council's endorsement of the Budget Review revisions implies adoption of the variances compared to the original budget.

3.3 Approval of variations outside the scope of the budget

The Local Government (Financial Management) Regulations 2011 (the Regulations) (Part 2 para 9) states that the review of budgets includes 'a revised forecast of its operating and capital investment activities' and does not address budget revisions, which formally adjust the originally approved budget.

The Local Government Act 1999 states (Section 123 para 13) that 'a council must, as required by the Regulations, and may at any time, reconsider its annual business plan or its budget during the course of a financial year and, if necessary and appropriate, make any revisions'.

Council approval must be obtained before commitments are made that would result in material activity outside of the original approved budget.

In considering a request for a revision to its approved 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 and/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 warrant, the Chief Executive Officer may authorise variations in activity that are within the approved budget and subsequent budget review revisions providing that variations made do not:

- In aggregate, exceed threshold value limits for functions 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 budget allocation; and
- Impact on any explicit proposal(s) 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 CEO explaining the rationale for the decision.

3.5 Carrying forward of expenditure for projects included in the budget for the previous financial year.

Funding approval for budgeted activity not completed at the end of the financial year is forfeited unless identified and adopted by the Council as a carry-over/work in progress.

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 the financial year, need to be reviewed and the projects/activities identified for carrying forward as soon as practical after the end of the financial year to ensure inclusion in the Financial Statements.

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4. REVIEW & EVALUATION

This Policy is scheduled for review by Council's Audit Committee biennially, however, will be reviewed as required by any legislative changes which may occur.

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File Reference:	AF18/48
Applicable Legislation:	Local Government (Financial Management) Regulations 2011 - Regulations 7, 9 and 10.
Reference: Community Plan 2016-2020	Goal 3, Our Diverse Economy.
Related Policies:	I105 Internal Controls T150 Treasury Management
Related Procedures:	Nil
Related Documents:	LGA Financial Sustainability Information Paper 25: Monitoring Council Budget Performance AR17/32233[v3] Integrated Planning and Budgeting Framework (3)

DOCUMENT DETAILS

Responsibility:	GENERAL MANAGER COUNCIL BUSINESS SERVICES AUDIT COMMITTEE
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