

Policy Number:	6. Finance & Corporate Services
Policy Name:	Budget Management
Classification:	Public – Council Policy
Adopted:	26 May 2015
Frequency of Review:	Biennial
Last Review:	August 2017
Next Review Due:	August 2019
Responsible Officer(s):	Manager Finance & Corporate Services
Policy and Code of Practice Manual File Ref:	CC10/2601
Council File Reference:	CR17/29397
Legislation Authority:	Section 123 of the Local Government Act 1999 Part 2 Local Government (Financial Management) Regulations 2011
Related Policies and Codes:	N/A
Related Procedures:	N/A

## 1. INTRODUCTION

An explicit set of policies and procedures is a necessary tool for sound financial management providing the following benefits:

- 1.1 **Public accountability and transparency** – Policies and procedures publicly document the Council's position on which it will base its decisions. They demonstrate the Council's commitment to sound financial management and establish transparency for audit purposes;
- 1.2 **Ensuring a considered approach** – The formal adoption of carefully documented policies and procedures helps ensure that the Council's position on each issue has been properly considered, having regard to alternative approaches and the wider policy and statutory context;
- 1.3 **Consistency of decision making** – By adopting clear Council policies and procedures a consistent basis for decision-making over time is established. While the Council can make a decision contrary to its adopted policy, it needs a deliberate decision to do so which helps to ensure that proper consideration has been applied;

- 1.4 Clear guidance for staff** – Explicit policies and procedures set out the required approach, responsibilities and processes for staff to properly administer the financial business of the Council in accordance with its wishes and consistent with statutory requirements and sound financial management practices. This in turn protects staff from allegations of financial mismanagement as long as the policies and procedures are followed.

## **2. 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.

## **3. DEFINITIONS**

- 3.1 Full Cost Attribution Basis** – A system under which all costs, including indirect and overhead costs, are allocated to a function, activity, good or service on a reliable and consistent basis
- 3.2 Zero-based Budgeting** – A system whereby individual budgets are developed from a zero base rather than from only increases from previous year
- 3.3 Fixed Costs** – A fixed cost that does not vary based on level of service activity
- 3.4 Variable Costs** – are costs that vary in proportion to the level of service activity
- 3.5 Financial Sustainability** – A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services
- 3.6 Cost shifting** – Where the burden of the cost of provision of a Commonwealth or State service is arbitrarily transferred to Council without a supporting revenue stream

## **4. POLICY DETAIL**

### **4.1 ANNUAL BUDGET / BUSINESS PLAN**

#### **4.1.1 PREPARATION**

- 4.1.1.1** The Finance Manager will table to Council in October each year a proposed Annual Budget / Business Plan timetable, which meets legislative compliance with the process (including public consultation provisions) and incorporates final adoption on or before 30 June.

### 4.1.1.2 The Annual Budget / Business Plan

- (a) will include the statutory financial reports required under the Local Government Act 1999 and associated Financial Management regulations;
- (b) will provide a clear and concise illustration of the activities that Council proposes to undertake to meet its long term objectives, including indicators on how we will measure our performance (both financial and non-financial);
- (c) will be aligned with Council's key forward planning documents (i.e. Community Plan, Long Term Financial Plan, Infrastructure & Asset Management Plan) towards achieving Council's financial indicator targets;
- (d) will ensure that reporting on a function, activity, good or service of the Council is made according to a full cost attribution basis;
- (e) will include the consolidation of Council subsidiaries.

### 4.1.1.3 Principles governing the preparation of the Annual Budget include:

- (a) **Realistic Budgeting** – All budget figures will be realistic, based on the best available information, and utilise a zero-based budgeting approach. Unless otherwise known, incremental factors will be based on annual movements in the Local Government Price Index;
- (b) **Financial Sustainability** – The budget will be developed in alignment with the Long Term Financial Plan, towards achieving Council's financial policy targets;
- (c) **Avoid Cost Shifting** - We will resist pressure to accept cost shifting from other levels of government;
- (d) **New Initiatives** - All new projects and capital works programs will be evaluated in terms of meeting Council's strategic directions and incorporate a cost benefit analysis which includes whole of life costing;
- (e) **Service Levels** – Individual program budgets will be based on agreed/identified service levels, in accordance with Council Policy 6.13 [Service Range Policy](#) . Budgets aligned to service levels will be developed based on fixed/variable costs for the agreed level of service;

- (f) **External Loan Borrowings** – will be used for long term asset creation and not to fund recurrent services;
- (g) **Asset Sales** - proceeds from asset sales will not be used to fund recurrent services;
- (h) **Overheads & On-costs** – All overhead and on-cost rates will be reviewed on an annual basis to ensure that the budget discloses reliable costs of service delivery

### 4.1.2 CONSIDERATION

- 4.1.2.1 Consideration of the Annual Budget / Business Plan by Council will be in accordance with the process timetable endorsed by Council pursuant to Clause 4.1.1.1 of this policy.
- 4.1.2.2 The draft Annual Budget / Business Plan will be tabled to the Audit Committee for comment, with subsequent feedback (if any) being considered by Council prior to adoption.
- 4.1.2.3 Public consultation of the draft Annual Budget / Business Plan will be undertaken in accordance with Section 123(4) of the *Local Government Act 1999* and Council's Public Consultation Policy.

### 4.1.3 ADOPTION

- 4.1.3.1 Adoption of the Annual Budget / Business Plan will occur after 31 May or before 30 June for the ensuing year.

### 4.1.4 REVIEW

- 4.1.4.1 Council recognises that the amounts included in the annual adopted budget are estimates of expenditure and revenue for the ensuing year.
- 4.1.4.2 Quarterly Budget Reviews will be prepared as at the end of October, January, and March each year and tabled for consideration within 1 month of such dates;
- 4.1.4.3 The October review will take account of the financial outcomes for the previous year as disclosed in the Annual Financial Statements;
- 4.1.4.4 Quarterly Budget Reviews will:
  - (a) compare actual performance to the revised budget – which is the original adopted budget adjusted for changes endorsed as part of prior budget reviews;
  - (b) include statutory financial reports required with explanations for all recommended budget variations;
  - (c) include a reconciliation of the revised financial forecast for the financial year.

- 4.1.4.5 A report analysing final actual performance for the year (per the audited Annual Financial Statements) against the budget will be tabled to Council in conjunction with the Annual Financial Statements.
- 4.1.4.6 A Finance Report will be tabled to Council on a monthly basis (excluding those months where a Quarterly Budget Review will be tabled in accordance with Clause 4.1.4.2). The Monthly Finance Report will include:
  - (a) Executive Summary
  - (b) Income Statement
  - (c) Income Statement by Function

## **4.2 AUTHORITY TO AMEND THE BUDGET**

- 4.2.1 Authority for Management to amend the budget outside of Quarterly Budget Reviews, prepared in accordance with Clause 4.1.4.2, shall be in accordance with the authority schedule disclosed as *Appendix 1*. Budget Managers will ensure all opportunities for transfer of budget funds within their budget have been explored before seeking any additional budget funding as part of Quarterly Budget Reviews.
- 4.2.2 All requested budget transfers, variations and roll-overs/accruals must be supported by the completion of the appropriate form (refer Appendix 2), or via separate written agreement.

## **4.3 COUNCIL REPORTS**

- 4.3.1 Recommendations that are presented to Council that have the effect of increasing expenditure (if adopted) must indicate where the funds are to be transferred or sourced from.
- 4.3.2 No report is to include a recommendation that “Funding to be identified at the next quarterly budget review”, or “The matter be considered as a non-discretionary item at the next quarterly budget review”, or that “the project be included in next year’s budget” (although the item may be listed for consideration in either the next quarterly budget review or the following year’s budget), as these statements have the effect of committing Council to works that it may not be able to fund. This methodology approach endorses the principle that, after the adoption of the budget, any additional funding sought is at the complete discretion of Council.
- 4.3.3 Where an item that has a financial implication is raised in the ‘Other Business’ section of a Council meeting, a report is to be presented to a future meeting so that possible funding can be identified before the recommendation is adopted.

### **5. REFERENCES AND RELEVANT LEGISLATION**

Section 123 of the *Local Government Act 1999*  
Part 2 of the *Local Government (Financial Management) Regulations 1999*

### **6. REVIEW AND EVALUATION**

The effectiveness of this Policy will be reviewed on a biennial basis.

The Chief Executive Officer will report to Council on the outcome of the evaluation and if relevant make recommendations for amendments, alteration or substitution of a new Policy.

The Policy will not be altered or substituted so as to affect a process already commenced.

The Policy will be reviewed after each general election of Council.

### **7. FURTHER INFORMATION**

Further information about this Policy can be obtained by:-

Telephone: 8522 9211  
Fax: 8522 9212  
Email: [council@gawler.sa.gov.au](mailto:council@gawler.sa.gov.au)  
Appointment: Town of Gawler Administration Centre, 43 High Street, Gawler East.  
Letter: PO Box 130, Gawler SA 5118

### **8. AVAILABILITY OF POLICY**

The Policy is available for inspection during ordinary business hours at the Council principal office, Town of Gawler Administration Centre 43 High Street, Gawler East or is available on the Council website at [www.gawler.sa.gov.au](http://www.gawler.sa.gov.au).

A copy of this Policy will be provided to interested parties upon request, for a fee as contained in the Register of Fees and Charges.

**BUDGET MANAGEMENT POLICY**

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**APPENDIX 1 – AUTHORITY TO AMEND BUDGET**

No.	Budget Amendment Type	Criteria	Authority	Example
1	<i>Transfer</i> of budget funds <i>within</i> or <i>across</i> Directorate(s) (i.e. no impact on \$ bottom line of overall budget)	<b>Operating:</b> Up to \$5,000 <i>without</i> any impact on service delivery levels <b>Capital:</b> Up to \$10,000 provided <i>no</i> change to scope of approved works	CEO/relevant Manager(s)	Transfer of budget funds between functions within the one Business Units or across Business Units
2		<b>Operating:</b> \$5,000 - \$15,000 <i>without</i> any impact on service delivery levels <b>Capital:</b> \$10,000 - \$40,000 provided <i>no</i> change to scope of approved works	Executive Management Team	Transfer of budget funds between functions within the one Business Unit or across Business Units
3	<i>Unspent</i> project budget funds from previous year	Approved project budget funds from the previous year identified as unspent will <b>NOT</b> be rolled over to the following year. This applies to both operating and capital items. Only TIED grants will be accrued for the following year to match income against expenditure.	Manager Finance & Corporate Services & relevant Manager	Unspent grant funds b'fwd to comply with terms of grant funding.
4	New Capital Project / Operating Initiative bid	–Consideration/approval of any project must be processed via the next quarterly budget review to ensure that the project is appropriately assessed on merit for funding against other competing priorities	Council – Quarterly Budget Review process only	
5	Unbudgeted expenditure as a result of emergency situation to protect human life / property		CEO in consultation with Mayor (subsequently endorsed by Council)	Unbudgeted expense incurred to protect human life / property as a result of emergency (i.e. flooding, fire emergency)
6	All other Budget amendments		Council – via Quarterly Budget Reviews	



## TOWN OF GAWLER BUDGET TRANSFER FORM

Pursuant to Policy 6.1 Budget Management Policy, this form is required for the *transfer* of budget funds, within or across Business Units(s), up to a value of \$15,000 for Operating Budgets and \$40,000 for Capital Budgets – *provided no change in service delivery levels or scope of approved works.*

<b>Business Unit</b>	
<b>Department</b>	

Reason why Budget Transfer is required	
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Account No.	Description	DR \$	CR \$
	<b>NET TOTAL</b>	<b>\$0</b>	

Prepared by:		Position:
Authorised by: *		Position:
Date:		
Data Entry by:		Position:

\* Transfers up to \$5,000 (Operating Budget) and \$10,000 (Capital Budget) must be authorised by Manager or CEO responsible for the Budget account. Transfers over these values must be authorised by the Executive Management Team.



# TOWN OF GAWLER BUDGET VARIATION REQUEST FORM

Pursuant to Policy 6.1 Budget Management Policy, this form is required for instances where an increase / decrease in funding is sought for the current year budget.

<b>Business Unit</b>	
<b>Department</b>	

Reason why Budget variation is sought	
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Account No.	Description	DR \$	CR \$
<b>NET TOTAL</b>			

Prepared by:		Position:
Authorised by: *		Position:
Date:		
Date tabled to Council for consideration & approval:		
Approved by Council?	Yes / No	
Data Entry by:		Position: