

COUNCIL POLICY: BUDGET REVIEW

<i>Date Adopted:</i>	21 June 2011
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<i>Amended Date:</i>	26 November 2013; 28 June 2016
<i>Contact Officer:</i>	Coordinator Financial Management
<i>Next review date:</i>	30 June 2019
<i>File Reference:</i>	12/06/003; 04/15/004
<i>Related Policies/Local Laws/Legislation:</i>	Local Government Act 2009 <u>(the Act)</u> Local Government Regulation 2012 <u>(the Regulation)</u>
<i>Related Documents:</i>	Budget Review Guidelines (Attachment A)

OBJECTIVES

The objective of this policy is to set appropriate guidelines for any amendment to be made to Council's original budget, referred to as a budget review.

Corporate Plan:

Priority Area	<i>Organisational Sustainability Council strives to be a high performing and financially sustainable organisation with robust governance structures based on the principles of risk management and continuous improvement. We offer a safe, positive work environment, value and reward our staff and are committed to providing ongoing development and training.</i>
Strategy	<i>Implement and maintain an integrated strategic planning framework across Council, which embeds performance, financial and asset management principles</i>

POLICY STATEMENT

In accordance with Section 170 of the Regulation Council must adopt a budget at the commencement of each financial year. This is known as the original budget. Council's budget provides the authority for the expenditure of funds in each financial year. In accordance with Section 170(3) of the Regulation Council may, by resolution, amend the budget for a financial year at any time before the end of the financial year through a budget review.

Section 173(1) of the Regulation states that Council may spend money in a financial year before adopting its budget if it is provided for in its budget.

Section 173(2) of the Regulation states that Council may spend money not authorised in its budget for genuine emergency or hardship if it makes a resolution about spending the money before, or as soon as practicable after, the money is spent. This expenditure must be taken into account in a subsequent budget review.

A minimum of three budget reviews will be conducted during each financial year; as at 30 September, 31 December and 31 March. The budget may also be reviewed if there are budgets to be carried forward from the previous financial year.

A budget review permits a previously adopted budget to be amended. Changes to a budget may be required where new information is received or circumstances change. Reasons may include:

- A change in service level resulting in an increase or decrease in expenditure
- A change in grant funding received for services or programs
- Projects or services delayed or stopped for reasons beyond Council's control
- Unanticipated increases or decreases in expenditure or revenue.

Factors to take into consideration during a budget review include:

- Maintaining consistency with the following documents:
 - (a) Long-term financial forecast
 - (b) Operational Plan
- Commitment to financial sustainability by ensuring that the adopted financial indicator targets are met
- Accountability and transparency in the decision-making process
- Providing value for money for the services provided

To ensure the principles of this policy are met, the guidelines will apply during the budget review process.

SCOPE

This policy relates to all budgeted revenue and expenditure of Council and applies to all those involved in the financial management of Council's resources.

RESPONSIBILITIES

Policy Author
Policy Owner
Guidelines and procedures -
*Attachment A: Budget Review
Guidelines*

Coordinator Financial Management
~~Manager Finance~~Chief Finance Officer

Coordinator Financial Management

Approved By:

SCENIC RIM REGIONAL COUNCIL
28 June 2016

ATTACHMENT A: BUDGET REVIEW GUIDELINES

Operating Surplus Ratio

The operating result is calculated by deducting Council's recurrent expenses from its recurrent revenue. This result is used to determine the Operating Surplus Ratio, which is an important measure of Council's financial sustainability.

For each budget review, the objective is for the budgeted Operating Surplus Ratio to remain the same or improve. This may not always be possible however, particularly where circumstances exist outside of Council's control and the Operating Surplus Ratio may be allowed to deteriorate at the discretion of Council.

Capital Expenditure

Where additional capital expenditure is included as part of a budget review, funding for the expenditure must be identified; whether it be an increase in revenue, reduction in expenses, new loans, existing cash, or other funding options.

If projects are delayed to future financial years, the budget should be removed in the current financial year and included in a future financial year.

If projects are cancelled, the budget should be removed in the current financial year.

Carry Forwards

Development of the budget

- ~~During development of the budget, where necessary, staff should provide for all expenditure that is forecast to occur in the next financial year, including any expenditure deferred to the next financial year that is provided for in the current financial year. This applies to both operating and capital expenditure.~~
- ~~Where this occurs the budget for the deferred expenditure must be relinquished at the third quarter budget review or sooner without an offsetting adjustment.~~

Carry Forward Budget Requests

- Individual requests must be greater than \$5,000; unless grant funded or the direct result of a Council decision.
- Requests must be for specific projects not completed by 30 June and not program expenditure. Reasons for why the project has not been completed in the current financial year and an estimated timeframe for completion of the project must also be provided.

All requests must be for existing projects and not new projects.

Budget Reviews

Staff must ensure that information that affects the budget is incorporated into a future budget review as soon as practical after they have been made aware of the information. Staff should also ensure that any changes to the establishment or staff resourcing in their areas is communicated to the Financial Management section so that the relevant budget information can be updated. This should occur even if the arrangements are temporary.

Funding of Budget Reviews

Funding for new or additional expenditure must be identified in any report put to Council including the Budget Review report. Sources of funding in order of preference are:

- Through a grant or external contribution directly related to the expenditure.
- Reduced expenditure or increased revenue in the same Section or Department within which the new or additional expenditure is to be incurred.

- Reduced expenditure or increased revenue in the same Directorate within which the new or additional expenditure is to be incurred.
- Reduced expenditure or increased revenue within another Directorate.
- New loans or existing cash reserves; only to be used once all of the above possibilities have been exhausted.

Administration of Budget Reviews

Budget reviews are administered through the Technology One system through the use of Budget Packs and comply with all Council approval protocols.

Approved By:

SCENIC RIM REGIONAL COUNCIL

28 June 2016