

# BUDGET DEVELOPMENT AND MANAGEMENT GUIDELINE

## 1. Scope

The Budget Development and Management Guideline (this 'Guideline') applies to Council's corporate budgeting activities including the annual budget and any subsequent reviews. It applies to all officers who have a financial responsibility within Council.

## 2. Purpose

This Guideline provides a framework for establishment and administration of Council's budget and to ensure that known variations to the budget are addressed in a timely manner.

## 3. Related Documents

### Primary

Budget Development and Management Policy

### Legislative reference

*Local Government Regulation 2012* (s 169 and 170)

### Related documents

Debt Policy

Financial Guiding Principles

Financial Reserves Fund Policy

Project Management Framework

Rates, Rebates and Remissions Policy

Revenue Policy

Revenue Statement

## 4. Definitions

To assist in interpretation, the following definitions shall apply:

Adopted Budget	Shall mean the original budget for Livingstone Shire Council for the financial year. This would include any amendments to the budget adopted by the local government under sections 169 and 170 of the <i>Local Government Regulation 2012</i> .
Asset Class	As identified in Council's financial statements, including land held as inventory for sale.
Program	A group of related projects that is managed in a coordinated way to obtain benefits not available from managing the projects individually.
Expenditure type	Means the types of asset expenditure i.e. new or renewal.
Long Term Financial Forecast	Is a forecast, covering a period of at least 10 years of the

	following for each year during the period of the forecast - section 171 of the <i>Local Government Regulation 2012</i> .
Project	An activity that is temporary in that it has a defined beginning and end in time and generally a defined scope and resource requirement. A project is unique in that it is not a routine operation, but a specific set of operations designed to accomplish a singular goal. They could be operating or capital in nature.

## 5. Guidelines

### 5.1 Annual Budget Consideration

- 1) Throughout the financial year Council considers matters which may result in a referral to future budget considerations. Where this occurs in an open Council meeting it becomes a matter of public knowledge. These matters must be consistent with Council's Long Term Financial Forecast, when adopted.
- 2) During the lead up to the adoption of the original annual budget for a particular financial year, detailed presentations and working papers are provided to Councillors. The presentations and working papers may include potential expenditure, pricing and rating considerations and various scenarios on options to be considered before adoption of the budget. This includes information pertaining to Council's commercial and general activities.
- 3) In the case of commercial activities, the disclosure of detailed pricing and expenditure information may be detrimental to Council's competitive position. Consequently, this information is to be treated as confidential. Commercial activities include those activities defined as business activities and significant business activities in accordance with the *Local Government Act 2009*.
- 4) While there are no commercial considerations within Council's general activities, the premature release of financial information being considered as part of budget deliberations may cause conjecture on the likely outcomes. The subtlety between information presented to Councillors to assist them with decision making and the intent of Council after considering all information, may be lost in public disclosure. In order to prevent misleading information in the media or unfounded public conjecture, it is therefore necessary to control the public release of information prior to the formal adoption of the budget.
- 5) All budget working papers including material presented on possible pricing, rating and expenditure is to be treated as 'strictly confidential'.

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### 5.2 Budget Reviews

- 1) The overall intention of the budget review is to review performance and assess Council's financial position and performance in accordance with the long-term financial forecast.
- 2) Generally, at least two budget reviews will be completed each financial year in November and April, however these dates may be flexible to suit particular circumstances.
- 3) Council's core capital program to be reviewed based on deliverability at each major review, with deferral of projects to occur where certainty cannot be provided.
- 4) Continuation of endorsed service levels. The budget review is not an avenue for new services or initiatives which should be assessed and prioritised against other Council programs as part of the annual budget development.
- 5) It is recognised that (following finalisation of June financial statements) the actual opening balance may be either more favourable or less favourable than the estimate in

the original budget. A very conservative budget approach is to be taken at this early stage of the financial year due to the possibility of not meeting revenue targets or non-forecast unavoidable expenditures.

- 6) Should other additional funding also become available during the year, the first priority may be to reduce borrowing (must be contained within the relevant fund) and ensure that approved projects have adequate allocations to meet the initial scope of the project.

### **5.3 Amendments to the Budget**

- 1) Where a variation to the Council's adopted budget is required, the funds required to give effect to the variation shall be sourced in the following priority:
  - a) Through a reduction in expenditure or increase in revenue within the Function (Coordinator) seeking the variation;
  - b) Through a reduction in expenditure or an increase in revenue within the Business Unit (Manager);
  - c) Through another area of the Council's operations; or
  - d) Through a transfer from an appropriate financial reserve fund.
- 2) Nothing in this policy prevents a report seeking variation to the Council's adopted budget from being presented to the Council for consideration and approval where the additional expenditure does not exceed the Council's adopted budget by more than 10% or \$100,000 whichever is the lesser. Such reports may be presented where the project or line item against which the expenditure will be incurred is considered politically sensitive. Consultation with and comment by the Chief Financial Officer should accompany the report if not part of a budget review.
- 3) Where expenditure in a project or line item will result in the requirement for a budget variation to be approved by the Council, if that expenditure is not required to be committed or spent prior to the next budget review as required, then the variation is to be included in the next budget review for the Council's consideration.
- 4) Where no expenditure estimate is included in Council's annual budget for a project or line item, that project or line item is funding for an additional purpose and approval for that purpose is through council resolution. Officers must refer all requests for funds for un-budgeted or additional purposes to the Chief Financial Officer. The Chief Financial Officer will report all requests to the Executive Leadership Team for consideration prior to including the variation as part of the budget review.
- 5) Where money is budgeted for capital projects in the previous financial year and a commitment during that year has been made to complete this work, if the work is not expected to be completed by 30 June in that year, the current year's budget may be amended at the discretion of the Chief Financial Officer. The amount carried over to the current budget must not exceed the amount of unspent portion of the original project budget. This will be reported to Council at the earliest opportunity or within a budget review.
- 6) In addition, where there is any question over the allocation of revenue or expenses to a particular business unit the final decision shall be at the discretion of the Chief Financial Officer.

### **5.4 Council reports**

- 1) The following principles are to be applied when compiling official Council meeting reports that have a financial impact:
  - a) Reports should not include a recommendation that *'funds are to be identified at the next review'*;

- b) Reports should not include a recommendation to identify that '*the project be included in next year's budget*', unless the project has been considered as part of a Council budget process relating to the future financial year;
  - c) Where a recommendation states that the funds are to be allocated from various financial reserve pools the report should include the current balance and projected future balance based on budgeted commitments of the relevant account. This will enable Councillors to be fully informed prior to approving the allocation; and
  - d) Only emergent projects/expenditure items should generally be incorporated into budget reviews.
- 2) Where an item that has a financial implication is raised in sections other than in Officer Reports at a Council Meeting, a report should be presented to a future meeting so that possible funding can be identified before the recommendation to expend funds is adopted.
  - 3) For capital and operating projects, the budget is a 'project' budget. Where projects are completed under budget, the funds are to be retained in consolidated revenue for those projects that may be over-expended.
  - 4) All proposed projects are completed in line with the adopted project management framework prior to including in reports.

## 6 Changes to this Guideline

This Guideline is to remain in force until otherwise amended/replaced or other circumstances.

## 7 Repeals/Amendments

Version	Date	Action
1.0	18/04/2023	Guideline approved

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