

BUDGET DEVELOPMENT AND MANAGEMENT POLICY

(COMMUNITY POLICY)

1. Scope

The Budget Development and Management Policy (this 'Policy') 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

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

3. References (legislation/related documents)

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 section 169 and 170 of the Regulation.
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 ie 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— LGR 2012 section 171.

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.
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5. Policy Statement

A robust financial planning framework is required to support long term financial sustainability. Financial sustainability means that Council is able to maintain its infrastructure capital (assets) and financial capital (cash) over the long term. Council will use budgeting and long-term financial forecasts to ensure the financial sustainability of the shire is maintained for future generations. Council aims to maintain a balanced or surplus budget position that is financial sustainable in the longer time.

Livingstone Shire Council is to be informed of, and review its financial position on a monthly basis in accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*. Council is to be made aware of significant trends/forecasts that may affect Council's current or future financial outlook. Council conducts comprehensive budget reviews.

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.

5.1 Annual Budget Consideration

Council's budget cycle is derived from its responsibilities under the *Local Government Act 2009* and the *Local Government Regulation 2012* and is aimed at addressing the need for:

- Effective long term financial planning; and
- Detailed annual budgets supporting Councils Corporate and Operational Plans.

The annual budget should be consistent with the budget principles (Financial Guiding Principles) endorsed by Council during budget development.

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.

5.2 Budget Reviews

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 changes.

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; and/or

- Unanticipated increase or decreases in expenditure or revenue.

Factors to take into consideration during a budget review include:

- Maintaining consistency with the following documents:
 - Financial Guiding Principles
 - Long term financial forecast
 - Operational Plan
- Commitment to financial sustainability by ensuring the adopted financial indicator targets are met;
- Accountability and transparency in the decision-making process; and
- Providing value for money for the services provided.

The following principles also apply to budget reviews:

- Unspent project expenditure from a prior year may be carried over, with consideration for available funding and delivery capability; and
- Budget review to address emerging issues and legislative requirements.

5.3 Amendments to the Budget

There are a number of budget amendments that may be required during the year and outside the budget review process.

- 1) Where expenditure against a project or line item included in Council's adopted budget will exceed the estimated revenue or expenditure for that line item or project by \$5,000 or less, no budget variation is required, and no approval is required.
- 2) No budget variation is required if the total operating budget in Council's adopted budget for the relevant function does not exceed 10% or \$20,000 whichever is the lesser.
- 3) Where a budget variation is required to be approved by Council, no expenditure in excess of 10% or \$100,000 (whichever is the lesser) of the Council's adopted budget for that project or budget line item is to be authorised prior to the required budget variation being approved by Council.

The process for handling various types of amendments is as follows:

Type of Amendment – Operating Budget	Lesser of <10% variance[#] or <\$100,000	>10% variance[#] or >=\$100,000
Changes to expenditure or revenue from adopted budgeted service delivery	At relevant General Manager/Chief Officer discretion*, provided it is within the one functional area.	Council approval required prior to work commencing. Report to Council at earliest opportunity.
Inclusion of additional grant funded projects and associated revenue and expenditure	At Chief Financial Officer discretion*, in consultation with the Executive Leadership Team	
Deferral, removal or material change to budgeted service delivery	At relevant General Manager/Chief Officer discretion*, provided it is within the one functional area.	
Reclassification of capital expenditure to operating	At Chief Financial Officer discretion*	

expenditure or vice versa for budgeted service delivery		
Types of Amendment – Capital Budget	<10% variance[#] or <\$100,000	>10% variance[#] or >=\$100,000
Transfers between capital projects of the same asset class or program where no change in scope of project exists	At relevant General Manager/Chief Officer discretion*	At Chief Executive Officer discretion*.
Transfers between capital projects of different expenditure types where no change in scope of project(s) exists	At relevant General Manager/Chief Officer discretion* in consultation with Chief Financial Officer	At Chief Executive Officer discretion*
Increase in cost of a capital project, where transfers between Asset Class, Program or Expenditure type are not available	At relevant General Manager/Chief Officer discretion * in consultation with Chief Financial Officer	Council approval required prior to work commencing.
Increase in cost of a capital project, where transfers between Asset Class, Program, or Expenditure Type are not available	At relevant General Manager/Chief Officer discretion * in consultation with Chief Financial Officer	Council approval required prior to work commencing.
New capital projects, or removal/deferral of capital projects	At relevant General Manager/Chief Officer discretion * in consultation with Chief Financial Officer	Council approval required prior to work commencing. Report to Council at earliest opportunity or within budget review forecast
Change in the scope of a Council approved capital project. Scope changes would include changes to design of the project, but is not intended to capture contract variations caused by provisional sum amount	At relevant General Manager/Chief Officer discretion * in consultation with Chief Financial Officer Consideration should be given to reporting to Council if there are other material non-monetary impacts (e.g., risks, reputation, community impact)	Report to Council at earliest opportunity or within budget review forecast

[#]Minimum variance for reporting purposes is \$10,000

*Discretion may in fact mean the decision not to support the change or that a report must go to Council to obtain approval for the proposed change. All budget changes to capital projects are to follow the change request process facilitated through the appropriate governance arrangement for each project.

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.

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. Changes to this Policy

This Policy is to remain in force until any of the following occur:

1. The related information is amended/replaced; or
2. Other circumstances as determined from time to time by the Council

7. Repeals/Amendments

Version	Date	Action
1.0	18/04/2023	Adopted

CALE DENDLE
CHIEF EXECUTIVE OFFICER