

<b>Name of policy:</b>	<b>Budget Management</b>		
<b>Adoption by Council:</b>	<b>22 March 2023</b>	<b>Minute number:</b>	<b>94/2023</b>
<b>Last review date:</b>	<b>November 2022</b>		
<b>Review timeframe:</b>	<b>2 Years</b>		
<b>Next scheduled review date:</b>	<b>December 2024</b>		
<b>Related legislation:</b>	<b>Local Government Act 1993</b> <b>Local Government (General) Regulation 2021</b>		
<b>Associated policies/documents:</b>	<b>Nil</b>		
<b>Responsible division:</b>	<b>Corporate Services</b>		

## Policy objective

The objective of this policy is to ensure that all Council expenditure is legally authorised and that effective systems of budgetary control are in place to monitor and report on actual income and expenditure compared with budgeted income and expenditure.

The policy supports sound financial management and is a key factor in ensuring Council's long-term financial sustainability through the regular and systematic review and reporting of budget performance.

## Policy statement

Council is committed to:

- sound budget management practices
- open and transparent communication with the community in the development, presentation and reporting of financial information
- providing economically and socially sustainable services to the community.

Council will maintain a strategic approach to the delivery of services, capital works and projects to ensure that the budget enables the objectives and strategies of the adopted Delivery Program to be achieved.

Budgets will be reviewed by management based on agreed service levels as set by legislation and Council and will be presented for consideration and adoption.

## Coverage of the policy

This policy applies to Council, its management and employees all of whom have responsibilities associated with management and reporting of the adopted budget.

## Strategic Plan link

This Policy supports Community outcome 4: Strong leadership and good governance

4.2 Council demonstrates good governance and financial management to ensure decisions and transactions are ethical, efficient, safe and fair.	4.2.1 Use governance frameworks and processes to guide our decisions and to ensure council is accountable to the community
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## Policy content

Developing and managing budgets is a fundamental element of Council's financial management framework. Effective budgeting will significantly contribute to the achievement of Council's goals and objectives as outlined within the adopted Delivery Program and supporting strategies.

Budgets are utilised to establish and communicate funding priorities, support decision making, set financial controls, and monitor and report financial performance. Effective budget processes, which underpin the efficient allocation of resources, enable Council to more readily identify and respond to change and government priorities.

A sound financial management governance framework contributes to Council meeting its responsibilities under the Local Government Act 1993 and the Local Government (General) Regulation 2021

### Reporting & Approval Process

The responsibilities of management for the reporting of financial performance against budget are set out in clauses 202 and 203 of the Regulation, as follows:

### **Division 3 Budgeting by councils**

#### **202 Responsible accounting officer to maintain system for budgetary control**

*The responsible accounting officer of a council must—*

- a) *establish and maintain a system of budgetary control that will enable the council's actual income and expenditure to be monitored each month and to be compared with the estimate of the council's income and expenditure, and*
- b) *if any instance arises where the actual income or expenditure of the council is materially different from its estimated income or expenditure, report the instance to the next meeting of the council.*

#### **203 Budget review statements and revision of estimates**

- 1) *Not later than 2 months after the end of each quarter (except the June quarter), the responsible accounting officer of a council must prepare and submit to the council a budget review statement that shows, by reference to the estimate of income and expenditure set out in the statement of the council's revenue policy included in the operational plan for the relevant year, a revised estimate of the income and expenditure for that year.*
- 2) *A budget review statement must include or be accompanied by—*

- a) *a report as to whether or not the responsible accounting officer believes that the statement indicates that the financial position of the council is satisfactory, having regard to the original estimate of income and expenditure, and*
  - b) *if that position is unsatisfactory, recommendations for remedial action.*
- 3) *A budget review statement must also include any information required by the Code to be included in such a statement.*

These responsibilities will be discharged through a regular review and reporting regime to Council as outlined below:

1. Monthly budget reports will be presented to Council, in the month following where possible, that allow for the monitoring of actual income and expenditure against the adopted (and revised) budget and identifies, explains and seeks approval for material budget variances.
2. For the financial quarters ended 30 September, 31 December and 31 March, Quarterly Budget Review Reports in accordance with the OLG Guidelines will be provided to Council. This report will include the required information from the Responsible Accounting Officer as required by clause 203(2) of the Regulation.
3. A material budget variation is defined as below:
  - For operational income and expenditure any favourable or unfavourable variation that is more than \$5,000
  - For capital income and expenditure any favourable or unfavourable variation that is greater than \$10,000.
  - Variations under these amounts can be updated within the relevant monthly review and will not be separately reported (by way of comment within the report) to Council.
  - Commentary in respect of material budget variations – particularly operational budgets – are to indicate whether variations are of a one-off nature or permanent in nature. This is required to assist in updating Council’s Long-Term Financial Plan.
4. Formal Council approval or approval under delegated authority must be sought and obtained prior to commitments being made that would result in a material budget variation i.e. material budget variations are not to be approved retrospectively.
5. Approval of new expenditure (not within the original budget) can occur through a separate report to Council or through the quarterly or monthly budget review process. Where this occurs by way of a separate report, this is to include a formal comment from the Manager Finance that outlines the impact of the proposal on the adopted budget position and on the Long-Term Financial Plan. Approved changes will be incorporated into the next scheduled budget report.

### Monitoring of Budgets

Monitoring budget accuracy and the delivery of works / services associated with that budget is the responsibility of all budget managers / nominated budget owners.

Budget managers are to complete a review of the allocated budget areas on a monthly basis in accordance with advised deadlines. Budget managers are required to provide clear and consistent commentary / feedback in a timely manner about underlying causes and effects of

budget variations, planned actions to manage variations for which they are accountable and the impact on the delivery of adopted works / services of the budget variation.

In undertaking the monthly review budget managers are to forecast the actual budget result for the financial year taking into account actuals to date and expected income / expenditure through to 30 June (end of financial year).

Proposed increases in expenditure budgets should be matched by a matching source of external funding or a reduction in existing budgets. Commentary in respect of the budget change should identify the impact on the adopted works program of not proceeding with that item.

### Emergency Events

If an emergency event occurs due to an unexpected or unforeseen event such as storm, flood, fire or earthquake that results in critical urgent works to be undertaken to make safe, broken or damaged property, equipment or services the General Manager is authorised to make such expenditure within the limits of their financial delegations.

As soon as practicable a report must be prepared and submitted to the next council meeting, providing details of the event and the expenditure incurred.

### Unexpended Votes (Carry Forwards / Re-votes)

All approvals and votes elapse at the end of the financial year or whenever Council's term of office ends. However, this does not apply to approvals and votes relating to:

- a) Work carried out, work in progress or contracted to be carried out.
- b) Any service provided, or contracted to be provided.
- c) Goods and materials provided, or contracted to be provided.
- d) Facilities provided, or contracted to be provided before the term of office of the Council ends.

At the end of each financial year, the Manager Finance will prepare a listing of budget approvals and votes that appear to meet the above criteria, review this list of proposed carry forward / re-vote budget with MANEX and prepare a report to Council with recommendations identifying those lapsed budgets that should be re-voted into the next financial period.

### **Definitions**

***MANEX*** – Management Executive consisting of Councils' General Manager and Directors

### **References and related documents**

Quarterly Budget Review Statement for NSW Local Government – OLG – December 2010.

### **Responsible officer (position)**

Manager Finance

### **Attachments**

Nil