

Budget Management Policy

Classification	Administration Policy
Responsible Officer	Group Manager Corporate Services
Relevant Legislation	Regulations 7, 9 and 10 of the Local Government (Financial Management Regulations 2011 & 2013)
Related Policies	<ul style="list-style-type: none">- Financial Internal Controls Policy- Guiding Financial Principles Policy
Related Corporate Documents	Nil.
Associated Forms	Nil.
Record Number	<i>POL202253260</i>
Council Resolution Number	<i>CNC291/21-22</i>
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1. Introduction

This policy provides direction to management and staff in relation to budget management and reporting and to provide guidance on the annual budget, budget review and year end process.

2. Scope

This policy applies to the Budget Management within the Town of Walkerville.

3. Definition

Business Unit	The General Ledger allocates the accounts for the Administration across Business Units to allow for effective management/responsibility of budget lines.
IE Analysis Code	Used in the General Ledger Accounting System to assign income and expenses to the more detailed level of the financial accounts.
General Ledger Accounts	Identified in General Ledger Accounting System as COA, these are the detailed breakdown of the General Ledger.
Jobs	Codes assigned in General Ledger Accounting System for specific projects or processes.
Budget Activities	Those activities that have either an Income/Expense Analysis code with assigned budget dollars or in the case of Capital projects a Job with assigned budget dollars.
Budget Owner	An employee who has been assigned budget accountability.

4. Policy Statement

Financial Controls: All Budget Owners are required to exercise financial control over day-to-day transactions (including hiring staff, approving overtime and using and procuring equipment and supplies) and must not make commitments that will result in their authorised budget being exceeded.

Financial controls include:

- policies and procedures that govern processes; and
- delegations that detail authorities to incur expenditure.

Controls are required to ensure services are delivered as efficiently as possible,

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employees are operating within their financial authorisations (referred to as delegations) and goods and services are being procured in accordance with the Town of Walkerville procurement policies.

5. Policy Objectives

Although the Budget Management Policy covers issues common to the budget setting process, it is not possible to consider every scenario that might arise in practice. These instructions should be considered a general guide only, and further information can be sought from council's Finance Business Partner, Group Manager Corporate Services & Strategic Projects and the Chief Executive Officer.

The intention of the Budget Management Policy is to give guidelines with regards to the following processes:

- Budget setting
- Budget review
- Activities outside the budget
- Variations within the budget
- End of year processes

6. Policy Statements

6.1 Budget Setting

The budget must be set in conjunction with the Long Term Financial Plan, the Asset Management Plan, the Annual Business plan and the Strategic Plan and the overarching Financial Guiding Principles. All these plans must be consistent with one another;

The annual budget is adopted in line with the Financial Guiding Principles to ensure that Council remains financially sustainable while giving focus to financing key priorities through strong financial management. The Financial Guiding Principles ensure that financial priorities are defined as measures that enable stability, affordability and efficiency.

6.2 Budget Responsibilities

Responsibility for the accurate and timely completion of a department budget resides with the Budget Owner with the exception of the Salaries, Wages and on costs and other administrative overheads that will be calculated by Finance. Finance will distribute budget information packs in January/February each year to support the Budget Owners in building the next year's budget and to provide guidance on the budget process.

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6.3 Budget Parameters

The setting of the Operating Budget is to be done through a Zero-based budgeting approach. Zero-based budgeting is a method by which all income and expenditure must be justified and approved for the new period, regardless of whether each budget is higher or lower than the previous year. Items that are discretionary should not necessarily automatically be included and/or indexed.

For expenditure budget lines that require a substantial increase on standard business operating budgets or for new projects and initiatives, a Budget Bid proposal is required which will then be reviewed as part of the annual budget process.

All income attributed to statutory legislation must be in accordance with that legislation. It is the responsibility of the Budget Owner that collects the income to ensure legislative requirements are met.

All income attributed to user charges must be in accordance with the Fees and Charges Register.

6.4 Budget Reviews

The Local Government (Financial Management) Regulations requires Council to formally review its budget at least three times per year. This statutory requirement recognises the likelihood that events will occur that require variations to the budget during the year.

Budget reviews will be prepared as at the dates given below, they will be presented for review at the next available Audit Committee meeting and to the first Council meeting subsequent to the Audit Committee meeting. Each Budget Review will include the original budget endorsed by Council for the current financial year and any budgets subsequently endorsed by the Council.

- Budget Review 1 & 3

Occurs at least twice, between 30 September and 31 May (both dates inclusive) and includes a revised forecast operating and capital investment activities for the relevant financial year compared to estimates for those activities set out in the budget and presented in a manner consistent with the Uniform Presentation of Accounts.

- Budget Review 2

To occur between 31 November and 15 March (both dates inclusive) in the relevant financial year. To include a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

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6.5 Activities Outside of the Budget

Council approval must be sought and obtained before commitments are made that would result in;

- Activity outside of budgeted activities, or;
- Total net resulting operating expenditure from the activity exceeds a threshold of 5% of the budget for that Business Unit (for changes to Income lines the test should be applied to the budgeted income and for changes to expenses the test should apply to the budgeted expenses) or,
- Total net resulting capital expenditure exceeds threshold of 5% of the capital budget for that Business Unit.

In considering a request for a revision to its budget, Council will consider the impact the approval would have on the achievement of the targets for financial indicators established in Council's Original Budget. It will also consider the capacity to increase other revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation and the merit of so doing. Any changes should be presented to Council in the subsequent Budget Review.

6.6 Variations within the Budget

The budget is a plan; at times circumstances beyond control cause the plan to change. Budget variations are a known/forecasted overall increase or decrease to income and or expenditure which are not currently accommodated in the current annual budget. These items must be taken into account during the budget review process. Some possible examples could be an additional service, changes to the scope of a project and price changes. Any changes are at the discretion of the Chief Executive officer and are to be presented to Council in the subsequent Budget Review.

6.7 Between Business Units

Where circumstances so warrant, variations may be made to a Business Unit's total budget, by reallocating budget dollars between existing Business Units providing that this does not change the overall budget for the Administration and;

- Where the variation is being done to the operating budget of Business Unit's, it may not change by more than 5% of the currently endorsed Business Units Operating budget. For changes to Income lines the test should be applied to the budgeted income and for expenses the test should apply to the budgeted expenses.
- Where the variation is being done to the capital budget of a Business Unit, it may not change by more than 5% of the currently endorsed Capital budget of the Business Unit.
- There should be no material impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original budget allocation. There should be no material impact on any explicit proposals Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in its budget.

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Any changes are at the discretion of the Chief Executive Officer and are to be presented to Council in the subsequent Budget Review.

6.8 Emergency Event Expenditure

Council recognises that in the case of an emergency or where a response is required without delay, the ordinary principles set out in this Policy may be inappropriate. Such cases include, but are not limited to:

- a state of emergency declared under the *Emergency Management Act 2004* (SA);
- an incident that requires the activation of Council's Disaster Recovery and/or Business Continuity Plan;
- an incident declared by the Chief Executive Officer (or their nominee) whereby the safety or security of any person or property associated with Council is threatened;
- an external incident to which the Chief Executive Officer (or their nominee) has authorised the provision of urgent support;
- an incident where an authorised Employee deems that a purchase is required in the interests of the safety of the Public; or
- any other incident or circumstance determined by the Chief Executive Officer (or their nominee)

("Exempt Events")

Administration is not required to adhere to this Policy in circumstances where an Exempt Event occurs or is expected to occur. In those circumstances, Council must keep a written record of the reasons that an event is deemed to constitute an Exempt Event.

Administration must notify Council where it has not adhered to this Policy as a result of the occurrence of an Exempt Event.

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 and any changes should be presented to Council in the subsequent Budget Review.

6.9 Expenditure Commitment Prior to Budget Approvals

Where possible, no expenditure should be incurred/committed unless the budgets have been approved. This will not be possible where multi-year contractual obligations are undertaken. For example when there is a legal obligation such as staff leave entitlements.

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6.10 End of Year Processes

6.10.1 Carry Forwards

Funding approval for budgeted activity not completed at the end of any budget year is forfeited unless approval to carry over the activity and associated budget allocation is granted by Council.

While there may be one-off exceptions, operating activity budgeted for but not expended in a year should not be carried forward to the following year. Identifiable projects that will not commence in the year that they have been budgeted for should be re-evaluated and where warranted included in the budget for the following year at the time of its adoption. Similarly capital projects that have not commenced in one year should be considered against other competing priorities in determining the content of the budget for the following year rather than treated separately as carry forwards.

The scope and funding requirements of capital projects and major operating type activities that are committed or underway but not completed at the end of one financial year need to be reviewed and the projects/activities considered for carrying forward as soon as possible in the following financial year.

Any request for carrying forward activity need to clearly highlight whether the scope of each activity item and its associated funding quantum is proposed to be varied from that previously approved and if so the rationale. Any impact on the achievement of the targets for a financial indicator established in Council's original budget for the current year should be identified.

6.10.2 Accruals

Any goods and services purchased and received (or completed) up until 30 June are to be included in the financial statements for that financial year by way of an accrual entry to account for these transactions.

The goods must have been received or the services completed on or prior to 30 June. It is insufficient for goods/services to have only been ordered or quoted as the contractor has not completed their obligations (even though there may be some contractual obligation to continue with the supply). Accruals can only be processed for obligations that have already been met, and cannot be used as a way to defer expenditure to a future year.

Finance will communicate guidance for the accrual process prior to end of year.

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7. Availability of Policy

- 7.1 This Policy will be available for inspection at Council's principal office during ordinary business hours and on Council's website www.walkerville.sa.gov.au
- 7.2 Copies will also be provided to interested members of the community upon request and payment of associated fees in accordance with Council's schedule of fees and charges.