

Budget Framework Policy



“Working with our Rural & Coastal Communities”



FIN-POL-14 – BUDGET FRAMEWORK POLICY

Version No:	1.1
Issued:	June 2023
Next Review:	May 2026

Responsible Department:	Finance
Policy Adopted:	21/06/2023
Minutes Reference:	OCM/23/060
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Related Policies/Procedures/Codes:	FIN-POL-03 – Treasury Management Policy FIN-POL-12 – Rates Policy Internal Controls Procedure Long Term Financial Plan Asset Management Plan
Review Frequency	Following Council Election or Legislative Change

1. OVERVIEW

The Lower Eyre Council is committed to sound budget management practices and transparency in the development and presentation of financial information to the community. The Local Government Act 1999 prescribes that a council must adopt an Annual Business Plan and Budget each financial year, and regularly review its performance against budget.

This policy provides clear direction in relation to formulating, adopting, reviewing and reporting on Council's budget processes to maximise its financial performance.

2. STATEMENT

The intention of the Budget Framework Policy is to provide Council and Management with a clear framework to operate within regarding the following:

- The process, timing and considerations associated with the preparation of budget documents;
- The content, timing and process to be followed for reporting to Council on its performance against budget;
- The scope and conditions associated with the approval of variations to budget allocations; and
- The process and general guidelines in relation to the carrying forward of budgeted expenditure for projects into a future budget.



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3. DEFINITIONS

Annual Budget: means the Council's statement of its:

- Intended expenses, income and capital expenditure that give effect to its Business Plan for the reporting period;
- Cash inflows and outflows associated with intended operating, investing and financing activities; and
- Projected financial position at the end of the reporting period.

Annual Business Plan: means the Council's statement of its intended programs and outcomes for the year.

Annual Financial Statements: means the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Cashflow Statement (the Principal Statements) prepared in accordance with the Australian Accounting Standards, together with the notes and certification statements prescribed in the Model Financial Statements.

Financial Indicators: means the financial measures or ratios used to assess the financial performance of Council. The three principal financial indicators are the Operating Surplus Ratio, Net Financial Liabilities Ratio and the Asset Renewal Funding Ratio.

Financial Sustainability: is when expenditure, income raising and service level decisions are made such that planned long term service and infrastructure levels and standards can be achieved without unplanned increases in rates or disruptive cuts to services.

Long Term Financial Plan: sets out the projected income and expenses for a period of ten years.

Model Financial Statements: is a template format for the presentation of the Annual Financial Statements for South Australian Councils, complying with the Australian Accounting Standards and Local Government (Financial Management) Regulations and approved by the Minister.

Net Lending / Borrowing: as specified in the Uniform Presentation of Finances represents the extent to which operating expenses (less depreciation) and capital expenditure exceed funding provided by operating revenue and amounts received specifically for new/upgraded assets. A net borrowing result increases Council's accumulated level of net financial liabilities, whereas a net lending result reduces the level of net financial liabilities.

Uniform Presentation of Finances: means the high level summary of both operating and capital investment activities of the Council prepared on a uniform and consistent basis as required by the Model Financial Statements.



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4. ANNUAL BUDGET

An Annual Business Plan and Budget shall be prepared by Council in accordance with Section 122 of the Local Government Act 1999.

The primary elements to be considered to develop the annual budget will be as follows:

Major components of the budget:

- Operating expenses – employee costs, contracts, materials, finance costs and depreciation
- Operating Income – rates, user charges, grants, investments and reimbursements
- Capital – asset replacement, new assets, capital grants and contributions
- Loan repayments
- Reserve transactions

Planning considerations for preparation of budget:

- Strategic Plan goals and objectives
- Asset Management Plan
- Long Term Financial Plan
- Financial Indicator results
- Capacity to complete projects within the budget period
- Available resourcing and associated limitations
- Carryovers of uncompleted projects from previous year(s)
- Existing and projected debt levels
- Cash position and availability

Relationship between Council’s Strategic Management Plans:



Statutory requirements for the budget financial statements:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Cashflow Statement
- Uniform Presentation of Finances
- Statement of Financial Indicators



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4.1 Indicative Timeframes for preparation and adoption of budget:

Draft Budget Program Guide	Responsibility	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Review Long Term Financial Plan	Management								
Review Asset Management Plan	Management								
Department Budgets to MFT	Management								
Surplus / Deficit Calculation & Carryover Projects Review 1	Management								
Preparation of Draft Budget 1	Management								
SMT to consider draft budget	Management								
Draft Budget 1 workshop	Council								
Draft Budget 2 workshop (as required)	Council								
Public Consultation Period	Management								
Public Meeting	Management								
Review Rating Policy	Management								
Review Exempt and Rebated Property Lists	Management								
Surplus / Deficit Calculation & Carryover Projects Review 2	Management								
Special Council Meeting to receive submissions and make final changes	Council								
Alterations to budget following public consultation (as required)	Management								
Annual Business Plan & Budget Adoption (July Council Meeting)	Council								
Declaration of Rates (Gazette & Paper)	Management								
Issue ratepayers annual rates notices	Management								

5. BUDGET REVIEW AND REPORTING

5.1 Budget Monitoring

A fortnightly report will be prepared for circulation to all staff responsible for the management of budgets. The report will provide all adopted budget and Year to Date Actuals to the end of the last pay period. Staff are responsible for checking these reports and reporting any concerns and / or anomalies.



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5.2 Budget Reviews

Section 9 of the Local Government (Financial Management) Regulations 2011 require Council's to perform three budget reports between 30 September and 31 May of the relevant financial year. These reports shall be prepared in the months of November, February and May each year and will include the financial statements as required by the regulations and an analysis of the three key financial indicators for Councils information.

A final budget review per Section 10 of the Local Government (Financial Management) Regulations 2011 will be prepared and presented to Council prior to 31 December each year. The report must detail the audited financial results of each item shown in the statement of comprehensive income and statement of financial position for the previous financial year compared to the estimated financial results set out in the original adopted budget.

All Budget Review reports shall be presented to an Audit and Risk Committee Meeting.

5.3 Budget Variations

Council approval must be sought and obtained before commitments are made that would result in financial activity outside of budget limits or delegated authorities.

In considering a request for a revision to its Budget, Council will consider the impact that an approval would have on the financial indicator targets 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 doing so).

Where circumstances so warrant (e.g. for reasons of urgent necessity or emergency), the Chief Executive Officer may authorise variations in activity that are not within the scope of approved limits for budget items, providing that variations do not:

- In aggregate, materially exceed threshold value limits for that function/activity outlined in the Budget;
- Materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended to the original allocation; and
- Impact on any explicit proposals Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in its budget.

Whenever such changes are made, the next Budget Review report shall include the variations and an explanation and rationale for the decision.



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5.4 Carryover Projects

Budgeted projects not completed or substantially commenced at the end of any financial year are automatically carried over to the next financial year unless a resolution of Council determines otherwise. A list of all carryover projects and their associated project values shall be presented to Council at a point prior to the adoption of the Annual Business Plan and Budget.

Operating activities budgeted for but not expended in a year shall not be carried forward to the following year. Identifiable operating projects that will not commence or be substantially completed in the year that they have been budgeted, shall be re-evaluated and included (if appropriate) in the budget for the following year at the time of its adoption.

Where possible and appropriate, Budget Review 3 in May shall identify any projects unlikely to be completed by 30 June and removed or adjusted for that financial year, to enable consideration for inclusion in the draft Budget for the following year.

6. ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements shall be presented to an Ordinary Meeting of Council following receipt of the auditors audit opinion and reviewed by the Audit and Risk Committee. The audited Annual Financial Statements shall also be included as an appendix to Council's Annual Report.

7. LONG TERM FINANCIAL PLAN

A Long Term Financial Plan will be prepared and maintained in accordance with Section 122 of the Local Government Act 1999.

The Long Term Financial Plan will include ten year projections for operating expenses and income, rates, capital investment and grants, loans and repayments, reserve transactions and other liability transactions.

The following objectives and principles shall be generally recognised in the preparation and review of the Long Term Financial Plan:

Preparation with reference to:

- Strategic Plan
- Capital Works Program
- Asset Management Plan
- Rates Policy
- Treasury Management Policy



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7. LONG TERM FINANCIAL PLAN

Cont'd:

Operating Activities:

- Facilities and services reasonably reflect community demand and expectation.

Existing Assets:

- Fund replacement and renewal primarily from annual operating revenue (i.e. cost of depreciation)
- Address any identified “backlog” of asset renewal and replacement
- Refer to the Asset Management Plan to determine priorities, costings and timeframes
- Consider rationalisation and upgrading of existing assets.

New Assets:

- Fund new assets and upgrades to existing assets from grants, surplus or rationalised asset sales, developer contributions and operating surpluses. New loans should be used for major, long-lived assets only
- All projects to be assessed to ensure appropriate priorities are assigned
- Consider full life cycle costs and replacement implications

Debt Management:

- Minimise new loans, use only to fund major, long term projects
- Consider future repayment implications – impact on future budgets and rate increases
- Utilise operating surpluses and excess cash held to minimise future borrowings
- Utilise mix of fixed term, variable term and cash advance debentures

Financial Reserves:

- Minimise creation of specific purpose reserves
- To identify funds received from third parties for specific purposes
- To keep a record of funds received and expended for specific purposes

Financial Indicators:

- Ensure that responsible financial indicator targets are regularly set and reviewed.

7.1 Review of Long Term Financial Plan

The Long Term Financial Plan shall be reviewed and presented to Council each year as soon as practicable after the adoption of the Annual Financial Statements for the prior year. The review will focus on significant variations and the inclusion/exclusion of projects following changes in Council direction.

A full review of the Long Term Financial Plan will be undertaken following a comprehensive review of its Strategic Plan which is required within 2 years after each general election of Council.

The Audit and Risk Committee shall review and provide feedback to Council on its Long Term Financial Plan, financial sustainability and its consistency with other strategic management plans of the Council.



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8. REVIEW

This policy will be reviewed every four years after each general election.

9. AVAILABILITY

The policy is available for public inspection on Council's website at www.lowereryepeninsula.sa.gov.au and from council's office at 32 Railway Terrace, Cummins, SA 5631.

DOCUMENT HISTORY		
Version:	Issue Date:	Description of Change:
1.0	March 2022	Adopted by Council
1.1	21/06/2023	Adopted with minor amendment