

TITLE:	Budget Policy		
DIVISION:	Corporate Services		
ADOPTED BY:	Council		
DATE OF ADOPTION:	February 20, 2014	DATE OF REVIEW:	February 2015
MOTION NUMBER:	16/14		
POLICY NUMBER:	CP000002		
AUTHORISED:	Chief Executive Officer		

THIS POLICY APPLIES TO:

Employees of the Barkly Regional Council and Elected Members

PREAMBLE

The aim of all policy is for Councillors to provide strategic input into the effective operational framework of the organisation under S.11 of the Local Government Act

SUMMARY

The council is committed to ensuring that it complies with the Local Government Act when adopting its budget and when conducting a budget review. To facilitate legal and regulatory compliance by the Council, and to allow its employees to have confidence that they are acting within the law, a comprehensive budgeting framework is established.

OBJECTIVES

The purpose of this policy is to set out the framework which will apply to the adoption of council budget and reviews of the budget.

BACKGROUND

A budget expresses the council's strategic plan in financial terms by providing a one year forecast of income and expenses. The budget is also used to help determine the level of rates required to fund the services and projects outlined in the council's Regional Plan. The Council is required to comply with the Local Government Act when establishing its Budget and rules and procedures are also necessary when undertaking periodic review of year to date revenues and expenditures.

POLICY STATEMENT

Scope and Application

This policy applies to all financial activities within council operations and to separate budgets for different activities or projects (short or long term); and applies to all staff involved in budget preparation, monitoring and performance evaluation.

The council is committed to ensuring that it complies with the Local Government Act (the Act) and Regulations when adopting an annual council budget and when conducting a budget review.

To facilitate legal and regulatory compliance by council, and to allow its employees to have confidence that they are acting within the law, a comprehensive budgeting framework will be maintained which will enable the council to:

Develop an annual budget for the organisation for approval by the council by 31 July each year for the following financial year;

Monitor income and expenditure against the budget on a monthly basis;

Report to the council on the budget position on specific occasions;

Take action when there is a significant variation between projected and actual figures;

Council should review and adjust its budget on a mid year basis to include any increases/decreases in income or expenditure;

Sufficient time should be given to council in the lead up to a budget review to enable adequate understanding of council members of any new proposed budget changes; and

After conducting a budget review the new amended budget must be approved by the council.

LEGISLATIVE REQUIREMENTS

Section 128 of the Act provides for adoption or amendment of a council budget as follows:

1. A council must adopt its budget for a particular financial year on or before 31 July in the relevant financial year.
2. A council may, after adopting its budget for a particular financial year, adopt an amendment to its budget (but once allowances for the members of the council for a particular financial year have been set, they cannot be changed by amendment).
3. As soon as practicable after adopting its budget, or an amendment to its budget, for a particular financial year, a council must:
 - 3.1 Publish the budget or the amendment as adopted on the council's website; and
 - 3.2 Notify the agency in writing of the adoption of the budget or amendment; and
 - 3.3 Publish a notice in a newspaper circulating generally in the area informing the public that copies of the budget or amendment may be downloaded from the council's website or obtained from the council's public office.
4. The council's budget forms part of the council's municipal or Regional plan.

ADOPTION OF THE BUDGET

Council will adopt the budget at the highest level.

Operating Revenues	\$ xx,xxx,xxx
Operating Expenses	\$ xx,xxx,xxx
Operating Surplus/Deficit	
Capital Revenue	\$ xx,xxx,xxx
Capital Expenses	\$ xx,xxx,xxx
Net Surplus/Deficit	
Excluding Depreciation	\$ x,xxx,xxx
Nominal Surplus/Deficit	\$ xx,xxx

To promote accountability the council will adopt the budget by:

- Whole of Council
- Strategic Objectives

- Locality
- Functions/Projects

REVIEW AND AMENDMENT OF THE BUDGET

The Act is silent on how often a council should review its budget during the financial year. This policy has been established to ensure that council follows the following budget reviews process:

- Review council budget on a half yearly basis each financial year or when new expenditures need to be incurred; eg when additional grant funding requires to be expended ; and
- Consider a mid year report on the revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget.

A budget review provides an opportunity to amend the previously adopted (or amended) budget. Changes to a budget may be required as further information is received during the year. Reasons for these changes may include:

- Different services expected by the community;
- Additional or reduced funding received to carry out new or extended services;
- Projects or services delayed or stopped due to lack of resources; and
- Ad hoc budget adjustments.

Factors to take into consideration when administering the budget review process include:

- Commitment to financial sustainability by ensuring that the adopted key financial targets are met;
- Consistency with council's strategic direction;
- Accountability and transparency in budget decision making process;
- Providing value for money for the services provided;
- Maintaining the budget allocated to each project type; and
- Council operates within cash flows and use of reserve restrictions.

To ensure the principles of this policy are met, the following guidelines will apply during the budget review process. The exception to these guidelines occurs where circumstances are outside council's control. This may occur as a result of the following changes in circumstances:

- Any new funding agreements offered by governments;
- Changes to legislation or regulations; and,
- Financial shocks - a financial shock is an unexpected or unpredictable event that affects an economy, either positively or negatively.

Where these circumstances occur, or when carry forward items from the previous financial year are recognised in the budget, council should attempt to achieve its adopted financial targets.

Nominal Surplus/Deficit

The nominal surplus/deficit is calculated by deducting council's operating expenses from its operating income. This result is used to determine key financial target 1 (operating surplus) and assist in the calculation of key financial target 2 (operating surplus ratio). As a result of the budget review the budgeted operating result should at least remain the same where possible. The council budget cannot show a planned deficit.

NEW INITIATIVES AND CAPITAL PROJECTS

Definitions

New Initiatives: Services that are provided for the first time that may have consequences on future recurrent budgets, or are short term in nature.

Capital-Renewal & Replacement: Occurs where an asset's service life is extended but its service replacement capability is not improved.

Capital-New: Occurs where an asset is added to council's existing complement or where an existing asset is upgraded to provide additional capabilities or services.

To assist in the definitions of council's financial targets, projects are classified into three categories, being:

- New initiatives (operating);
- Capital-renewal & replacement; and
- Capital-new.

Where possible, council should aim to ensure that its key financial targets are maintained or improved. The total budgeted net expenditure allocation for each of these project types should not be increased without a corresponding increase in revenue or a reduction in expenses in the same financial year.

In the case of new initiatives and capital constructions, consideration needs given and planned for operational inputs required for a period for the following five years.

Where such projects are delayed to future financial years, the allocation will remain in the budget unless by way of council resolution. The allocation remaining for the projects at the end of the financial year shall be included in the items to be carried forward to the following financial year, and recognised as part of the restricted reserves.

Projects to be considered during the budget review process can be put forward for consideration at any time. A listing and explanation of these projects for each project category will be provided at the time of presenting the budget review for adoption. This will provide elected members with supplementary information to swap projects prior to adopting the revised budget.

New Initiatives

Where there is a reduction in new initiative projects, funds may be allocated to other new initiative projects. Alternatively, these funds may be identified as savings to the council's operating budget.

Capital-Renewal & Replacement

When a capital-renewal and replacement project does not proceed, it should be replaced by project(s) with the next highest priority in council's infrastructure and asset management plan subject to council's approval. Alternatively, the surplus funds could be allocated to the renewal and asset replacement reserve for use when required.

Capital New

New capital works requested by community organisations as an addition to council owned facilities must have at least 50% of the total cost of the project funded by the organisation, which can be through monetary contributions (upfront payment or lease arrangement), in-

kind support, government grants or a combination of the methods. Council should not take on any new capital works projects if the projects are not viable and without the approval of the council.

Where there is a reduction in capital-new projects, the budget may be allocated to other identified capital-new projects, where a cost-benefit analysis justifies its inclusion. Where no other capital-new projects are identified, the reduction in funds should be used to reduce any budgeted loans.

EVALUATION AND REVIEW

This policy will be reviewed annually. The Chief Executive Officer will report to council on the outcome of the review and make recommendations for amendment, alteration or a substitution of a new policy if considered necessary.

IMPLEMENTATION AND DELEGATION

The CEO has delegated authority to implement this Policy.

LEGISLATION, TERMINOLOGY AND REFERENCES

Section 128 of the Act provides for adoption or amendment of a council budget.