

BUDGET MANAGEMENT

Adopted by Council 9 August 2022

public

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MITCHAM

1. PREAMBLE

The Budget Management Policy complements Council's Financial Sustainability Policy by setting principles and a framework for establishing, monitoring and reporting Council budget and expenditure throughout each year.

2. PURPOSE

The purpose of the Budget Management Policy is to ensure that budgets are managed efficiently and consistently, supported by clear roles and responsibilities.

3. SCOPE

This Budget Management Policy applies to all Council and Administration budgetary decisions

4. DEFINITIONS

Budget Owners

The responsible person for a particular budget.

Capital

Expenditure or income that relates to the creation, renewal or upgrade of an asset. The capital expenditure will most likely have an associated ongoing operating cost in the form of depreciation, interest expense and maintenance.

Carry Over

A request to transfer a capital budget from the previous financial year into the Current financial year. These requests are generally in budget review one. These requests would not have been included in the adopted annual business plan. The budget transfer does not have a financial impact to the long term financial plan.

Cost Pressure

Costs that are likely to increase by more than the cost index or new costs for existing services which could be a result of cost shifting, changes in local economy, etc.

Growth Pressure

Increase in costs due to increase in the number of dwellings.

Cost Shifting

Cost Shifting is when a service or function is transferred to council without an adequate funding source. This is required (usually by law) when

- Council delivers services or collect taxes for another sphere of government without being provided funds to cover the costs;
- Councils forego revenue by providing mandatory rebates for activities implemented by state government policy; and
- cost recovery of fees and charges which are fixed by state government statute resulting in councils with mandated work unable to recover the costs to provide the service.

Intergenerational Equity

The concept that those who are using the benefits of a service provided by Council should contribute proportionally to its cost. In terms of a service provided by a long-lived asset such as a public pool, this means that present and future users of the service should pay for the service equally over the life of the asset.

Long Term Financial Plan

The Long Term Financial Plan expresses in financial terms the activities that Council proposes to undertake over the next 10 years to achieve its objectives ensuring Council financial sustainability.

New Capital Expenditure

Any new asset purchased or constructed that is not an existing asset. These increases will have a debt impact and generate ongoing rates increase for the operating costs associated with the asset i.e., maintenance.

New / Enhanced Ongoing Service

Any new service that is currently not provided by Council or an increase to the level of service currently provided (with a budgetary impact). These increases will have ongoing rates increase and a debt impact if the new service is derived from a new or enhanced asset.

Operating Project

A project that delivers a service or project for a specific purpose over a short period of time (2-3 years). These types of expenditure have a rates impact and increase debt but are not generally of a significant value.

Once off Operating Expenditure

An expenditure where the financial impact is born once in one year, i.e., it is not ongoing in nature. Generally, these do not have a rates impact (unless significant in quantum) but will increase debt.

Re-budget

A request to transfer Capital projects to the next financial year as part of a budget review which is later reflected in the adopted annual business plan. The budget transfer does not have a financial impact to the long term financial plan.

Recurrent Operating Service

A discretionary or legislatively required service that is provided by Council consistently year on year for the benefit of the community. The benefit of the provision of the service is consumed at the point the service is delivered and this pattern is repeated each year. These types of services have an ongoing rates increase but no debt impact.

5. PRINCIPLES

- 5.1. Council will adopt an Annual Business Plan and Long Term Financial Plan, each year, in accordance with Section 122 and 123 of the *Local Government Act 1999*) that:
 - enables the **delivery** of Council's **strategic objectives** as outlined in its strategic management plans (i.e. Mitcham 2030 and 4-Year Delivery Plan)
 - is informed by meaningful **community engagement**
 - is developed in the spirit of transparency and accountability, enabling Council to make informed decisions and acting with integrity.
- 5.2. Council will adopt an **annual budget** that expresses (in financial terms) the Annual Business Plan and the first year of the Long Term Financial Plan, which outlines:

- Services (existing and new)
 - Capital works (renewal and new)
 - Operating Projects
 - expected revenue (rates and other) required to deliver the above.
- 5.3. Council will **review** the annual budget **periodically** (a minimum of three reviews) throughout the year (in accordance with the *Local Government (Financial Management, Regulations 2011)*).
- 5.4. Council will set rates and other income based on **intergenerational equity**, whereby members of the community can expect to receive benefits for the contribution they make in any year, and that future communities will also contribute equitably over the life of an asset.
- 5.5. Council will **monitor** its budget throughout the year against expenditure and, where possible, **redistribute** unspent funds to maximise outcomes for the community.
- 5.6. The CEO will manage the annual budget (in accordance with powers delegated under section 36(1) of the Local Government Act 1999) utilising the following budget management parameters:
- maintaining or improving the budgeted headline and underlying operating result
 - not exceeding budgeted borrowings
 - maintaining service levels
 - meeting savings target (if any)
 - operating within the budgets allocated for services, capital and operating projects.
- If the CEO is not able to manage a budget issue without breaching one of the above criteria, then that issue is referred to Council.
- 5.7. When Council is presented with an 'out of budget cycle' expenditure decision, the report shall include the required rates rise (if any) and shall consider the following principles:
- Time sensitivity – considering the risk and urgency of the expenditure.
 - Value – to ensure the expenditure aligns with Councils budget priorities and strategic goals.
 - Financial position – to consider how Council will fund the item.
 - Resourcing – to consider whether the expenditure requires additional staffing or time resourcing and what impact that will have on existing workloads.

5.8. Unspent budgeted funds (either expenditure or income) will be carried over from the prior year or re-budgeted into the next financial year for capital projects, where:

- there exists a contractual (legal) obligation to spend the funds for a specific purpose; or
- there has been a delay in the delivery of the project (due to circumstances outside of the Council's control, such as inclement weather, supplier delay); or
- Council determines that it is in the best interests of the community to continue to expend the funds over multiple financial years.

6. POLICY STATEMENT

6.1. Strategic Alignment

Council's Annual Business Plan and Long Term Financial Plan enable the delivery of Council's strategic objectives as outlined in its strategic management plans (i.e. Mitcham 2030 and 4-Year Delivery Plan). While the strategic management plan sets the direction, the Annual Business Plan and Budget articulates how Council will help the community achieve its long term vision.

6.2. Annual Business Plan & Budget

The Annual Business Plan and Budget includes detailed information on the actions to be delivered in accordance with the goals set out in the strategic management plans and is divided into the following sections:

New Service and Project – Specific Council funded new services and projects which align to the four year delivery plan and Mitcham 2030 strategic plan.

Operating Projects – One off initiative that are essential for council to plan for future service delivery.

Ongoing Services – Ongoing service required by the community.

Areas of measurement – Outlines how Council will monitor and review the achievement of its goals and outcomes according to the four year delivery plan.

Annual Budget – budgeted financial statements and rating statement presented in a manner consistent with the note in the model financial statements.

The annual budget expresses the Annual Business 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 Annual Business Plan.

The annual budget represents the first year of the 10 year Long Term Financial Plan. The long term financial plan is a long term view of Council's finances with a strong focus on financial sustainability. Once Council is satisfied that the Long Term Financial Plan (and Budget) reflects the strategic direction, consultation occurs with the community. The Long Term Financial Plan (and Budget) is then amended as required and subsequently adopted by Council.

The budget lifecycle is outlined in **Appendix A**.

Whilst every effort is made to have Council adopt a budget by 30 June each year, from time to time that is not possible. There is no significant issue in relation to the budget being adopted after June 30 as the CEO has a statutory obligation to ensure the continuance of the day-to-day operations of the organisation from 1 July. The Act does require the budget to be adopted before 15 August (except in cases involving extraordinary administrative difficulty).

6.3. Monitoring, Adjusting & Reporting

Throughout the financial year, the budget is reviewed and revised and where necessary adjustments are made to the objectives and resources to reflect changes required or desired. The Local Government (financial management) Regulations 2011 guides Council on what budget reporting is required, when budget reconsiderations occur and how frequent and when to report on the financial results.

Council endeavours to maximise the benefits to the community each year by substituting budgets from projects and objectives that are not able to be undertaken in the current financial year with other priorities that can.

This is achieved by relinquishing and re-submitting the budgets for those projects and objectives that cannot be undertaken to be included in the following financial year prior to the following year's budget being adopted.

This ensures that Council is accountable for the objectives it has set out to achieve and has the added benefit of ensuring that the following year's budget is considered having regard to all priorities.

To inform Council, a financial report is prepared and presented monthly to monitor financial performance (e.g. budget versus the actual expenditure) and variances are investigated. The Monthly report will also track rate rise implications of ongoing 'out of budget' Council decisions as well as debt implications of once-off expenditure.

On a quarterly basis, the full year budget is reviewed, and necessary adjustments made. This review provides an opportunity to amend the previously adopted (or amended) budget.

The budget is relinquished as part of that budget review in favour of other priorities that can be achieved within the year and is referred to the following year's budget preparation process.

Items are added in or re-budgeted into the following financial year post consultation of the budget but prior to adoption on the basis that they were consulted on the previous year and expected that they will be delivered. This process also ensures transparency of budgeted deliverables.

7. POLICY REVIEW

This Policy will be subject to review every four (4) years or sooner at the discretion of the relevant General Manager.

The CEO has delegated authority to endorse any amendments to the Policy that do not vary the intent of the policy.

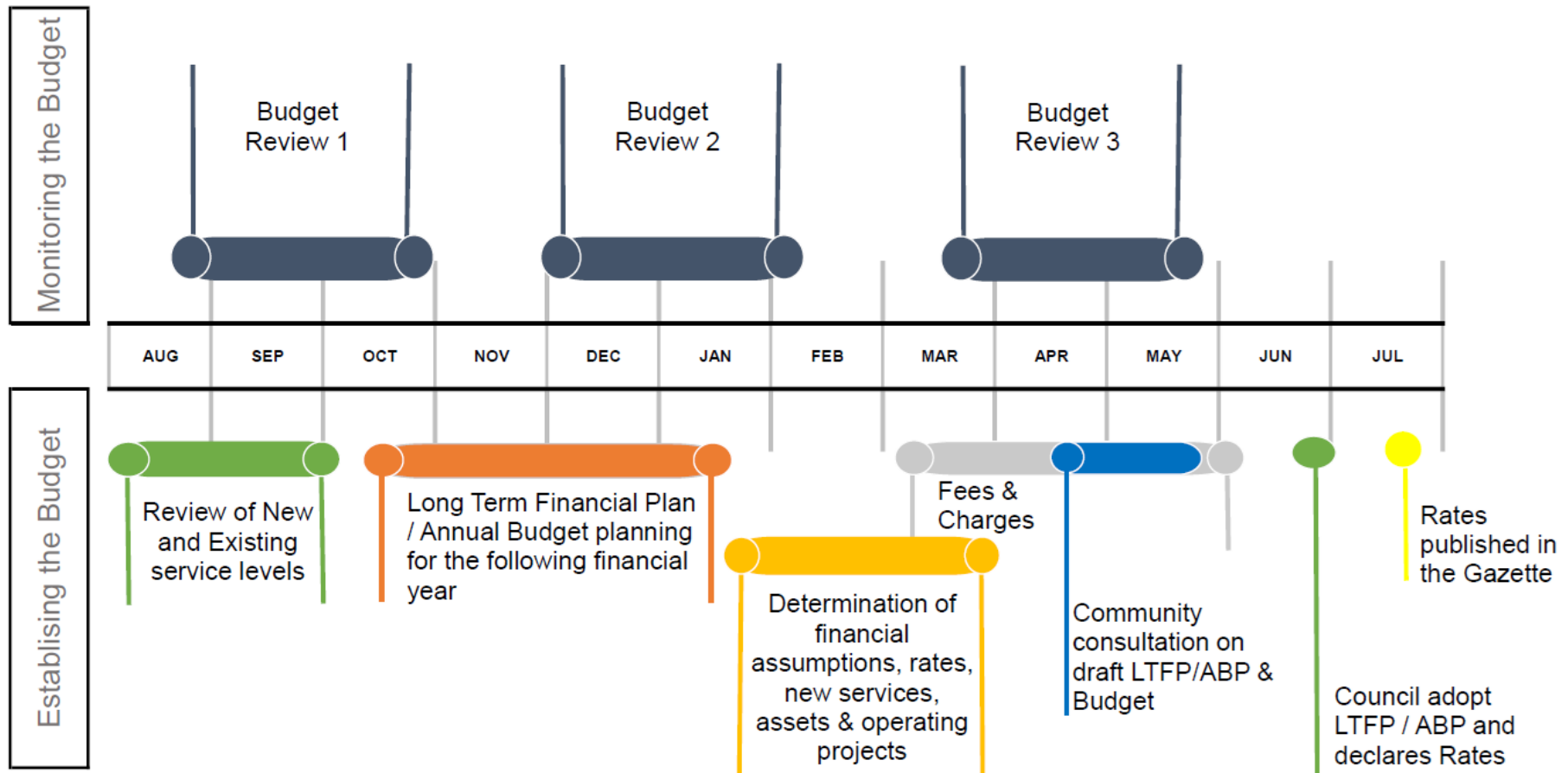
8. VERSION HISTORY

VERSION	AUTHOR(S) POSITION	CHANGES	DATE
V1.0	Finance	New Policy	May 2015
V2.0	Governance Officer	<p>Full Council Resolution 12 November 2019 Item 9.4 – Clause 5</p> <p>Policy Review to be changed to:</p> <p><i>‘This policy will be subject to review every four (4) years or sooner at the discretion of the relevant General Manager.</i></p> <p><i>‘The CEO has delegated authority to endorse any amendments to the Policy that do not vary the intent of the policy’</i></p>	12 November 2019
V3.0	Senior Management Accountant	<p>Review of policy:</p> <ul style="list-style-type: none"> • Update to new template • New strategic plan linkages and framework • Additional reporting for ‘out of budget cycle’ council decisions. • Updated budget lifecycle 	February 2022

9. DOCUMENT CONTROL

Responsible Department	Corporate Services and Innovation (Finance)		
Delegations Contained within Policy	YES		
Classification	Financial Management		
Applicable legislation	Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.		
Related Policies & Corporate Documents	Accounting for Property, Plant, Equipment and Infrastructure, Internal Controls Policy, Treasury Management Policy, Rating Policy, Mitcham 2030, and the 4 year delivery plan.		
Additional references			
Endorsed by Council	09/08/2022	Item No:	9.6
Effective Date	09/08/2022	Next Review Date:	31/03/2026
Policy Set ID	4131063 & 4134608	Template Set ID:	3345084

APPENDIX A – BUDGET LIFECYCLE



Legend

LTFP - 10 year Long Term Financial Plan

ABP and Budget - 1 Year Budget and Delivery Plan