



Budget Framework Policy

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Responsible Officer:	Chief Executive Officer Director Corporate Services
Applicable Legislation:	Local Government Act 1999, s123 Local Government (Financial Management) Regulations 2011 (Regulation 7, 9, 10)
Related Policies/Procedures:	Better Practice Model – Internal Financial Controls LGA Financial Sustainability Information Papers – 13 & 25 Community Plan Infrastructure & Asset Management Plan Long Term Financial Plan Delegations Register Financial Sustainability Ratios and Targets Policy

1. PURPOSE:

Kingston District 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 for each financial year, and regularly review its performance against budget.

It aims to maximise council's accountability for delivery and management of budgeted outcomes and operational and management efficiency of its resources to deliver those budgeted outcomes.

2. LEGISLATIVE CONTEXT:

Local Government Act 1999:

- Section 123 – Annual business plans and budgets

Local Government (Financial Management) Regulations 2011:

- Regulation 7 – Budgets
- Regulation 9 – Review of budgets
- Regulation 10 – Report of financial results

3. SCOPE:

This policy provides direction on council budgeting, including key principles underpinning budget development for Kingston District Council as well as providing clear direction to management and staff in relation to amending and reporting performance against council's adopted budget.

4. DEFINITIONS:

<i>Annual Budget</i>	Means council's statement of: <ul style="list-style-type: none"> • its intended expenses, revenue and capital expenditure that give effect to its Annual Business Plan for the reporting period; • its cash inflows and outflows associated with intended operating, investing and financing activities; and • its projected financial position at the end of the reporting period.
<i>Annual Business Plan</i>	Means council's statement of its intended programs and outcomes for the year.
<i>Annual Financial Statements</i>	Means the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cashflow Statement (the Principal Statements) prepared in accordance with the Australian Accounting Standards, together with the Uniform Presentation of Finances.
<i>Capital</i>	Means expenditure or income directly related to the creation, renewal or upgrade of an asset (in the care and control of Council) in line with capitalisation thresholds detailed in Council's 'Asset Accounting Policy'.
<i>Financial Indicators</i>	Mean the financial measures or ratios used in the management plan, annual reports and other internal and external reports to guide or assess the financial performance and position of the Council. The three principal financial indicators are the Operating Surplus Ratio, Net Financial Liabilities Ratio and the Asset Renewal Funding Ratio.
<i>Financial Sustainability</i>	Occurs when expenditure, revenue 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.
<i>Model Financial Statements</i>	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.
<i>Net Lending/Borrowing</i>	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.
<i>Operating</i>	Means expenditure and income related to the ongoing provision of Council services including recurring activities and programs, maintenance and depreciation.
<i>Uniform Presentation of Finances</i>	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.

5. ORIGINAL BUDGET:

The annual budget will be prepared in conjunction with the annual business plan to ensure strong linkages and will be prepared in accordance with relevant legislation, including community engagement requirements.

The following factors are to be taken into consideration when preparing the annual budget, including;

- Commitment to financial sustainability by taking into consideration the adopted financial indicator targets
- Consistency with council's strategic direction (as contained in its Community Plan), annual business plan, long term financial plan and asset management plan
- Providing value for money for services, and
- Maintaining the budget allocated to each project.

An annual business plan and a budget must be adopted by Council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 15 August for the financial year. Council's policy is to have these documents presented to Council prior to 30 June.

The budget presented will include a set of the four principal Financial Statements, Uniform Presentation of Finances note and principal Financial Indicators, consistent with the requirements of the Model Financial Statements.

6. BUDGET UPDATE:

A Budget Update Report is to be prepared and presented to an Ordinary Meeting of Council at least twice between 30 September and 31 May, generally coinciding with completion of the first and third quarter of the financial year. The report will highlight at summary level, Original Budget, Revised Budget and Year to Date Actual information.

Where possible it is a preference that these budget update reports are presented to the Audit & Risk Committee prior to the respective council meetings.

The report will include data in a format like the note “Uniform Presentation of Finances” as contained in the Model Financial Statements, to report on the Operating Result and on Outlays on Existing and New/Upgraded Assets. In addition, the Budget Update Report will provide information on Financial Indicators.

The report will provide details and explanations of significant changes to the budget which have occurred since the previous Budget Update or Review.

7. MID-YEAR BUDGET REVIEW:

A Mid-Year Budget Review reflecting the budget progress as at 31 December is to be prepared and presented to the first Audit & Risk Committee meeting after 31 December and subsequently to Council by the end of the following February.

The review will provide:

- a written report outlining the Original Budget, subsequent Budget Updates, significant changes and impact analysis;
- a detailed listing of capital items and summarised operating items, showing the Original Budget, Revised Current Budget, Actual to Date, Revised Budget and explanations of significant changes; and
- a set of the four principal Financial Statements, Uniform Presentation of Finances note and principal Financial Indicators, consistent with the requirements of the Model Financial Statements.

8. REPORT ON FINANCIAL RESULTS:

A Report on Financial Results showing the audited results of the previous financial year compared with the estimated financial results set out in the Original Budget, is to be prepared and presented to a Council meeting after the conclusion of the balance date audit and prior to the following 31 December.

The report will provide a comparison between Original Budget and actual amounts, with explanation for material variances for each of the following:

- a full set of the four Principal Statements and Uniform Presentation of Finances note, consistent with the requirements of the Model Financial Statements;
- a Financial Indicators Summary; and
- a Summary Report on the Capital and Operating Activities for the year.

9. MONTHLY FINANCIAL REPORT:

Management will endeavour, when reasonably practicable to provide a monthly finance report which will include budget variations that have been identified during the month. The variations will be included in the budget update report as included in Item 6 – Budget Update.

10. APPROVAL OF VARIATIONS OUTSIDE THE SCOPE OF THE BUDGET:

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

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 doing so.

11. APPROVAL OF VARIATIONS OUTSIDE THE SCOPE OF THE BUDGET - DELEGATION:

Council has exercised the powers contained in Section 44 of the Act delegating the Chief Executive Officer the power pursuant to Section 36 (1)(c) of the Act, whereby the Chief Executive Officer: *"has the power to do anything necessary, expedient or incidental to performing or discharging its function or duties or to achieving its objectives"*

Where circumstances so warrant (e.g. for reasons of urgent necessity), the Chief Executive Officer may authorise variations in activity that are not within the scope of approved limits for budget items providing that variations made 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 Monthly Finance Report, or if relevant, the Budget Update Report to Council must include the variations and an explanation and rationale for the decision.

12. GUIDELINES FOR CARRY FORWARD EXPENDITURE

Operating activities budgeted for but not expended in a year will not be carried forward to the following year unless approval to carry-over the activity and the associated budget allocation is granted by Council. Identifiable projects that will not commence or be substantially completed in the year that they have been budgeted for should be re- evaluated and 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 'carried 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 a

financial year (*work in progress*), 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 needs to clearly highlight whether the scope of each item and its associated funding quantum is proposed to be varied from that previously approved and if so the reasons for the same. Any impact on the achievement of the targets for a financial indicator established in Council's original budget for the current year also should be identified.

Should a request for carry forward funding be approved by council, these amounts will be reflected in the July monthly finance report and reflected in the first quarter budget review.

13. AVAILABILITY OF THE POLICY:

This policy will be available for inspection at the Council's Principal office, 29 Holland Street Kingston SE, during ordinary business hours and on council's website: www.kingstondc.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon such payment of the fee set by Council.