

POLICY	ROBY COUNCIL	Responsible Department	Corporate
		Original Adoption Date	12.06.2012
		Current Adoption Date	31.08.2022
		Audit Committee Review Date	21.10.2022
		Date of Next Review	01.07.2025

BUDGET MANAGEMENT POLICY	
Latest Review Changes	<p>Minor formatting and editorial changes, update to new policy template</p> <p>Included “Local Government Association of South Australia – Financial Sustainability Information Paper 25 Monitoring Council Budget Performance” under “Reference Documents”.</p> <p>Updated “4. BUDGET PROCESSES / INDICATIVE TIMELINES” with current financial year information.</p> <p>Updated the table discussing Council’s development of its annual budget and business plan at section 5.3 on page 2.</p>
Previous Council Reviews	12.06.12, 30.11.16, 29.11.18
Previous Audit Committee Reviews	21.10.16, 09.11.18

Applicable Legislation

<p><i>Local Government Act 1999 - Section 123</i></p> <p><i>Local Government (Financial Management) Regulations 2011- Part 2</i></p> <p><i>Roxby Downs (Indenture Ratification) Act 1982</i></p>
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Related Policies

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Related Procedures

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Reference Documents

<p>Local Government Association of South Australia – Financial Sustainability Information Paper 25 Monitoring Council Budget Performance</p>
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1. INTRODUCTION

This policy aims to provide direction to management in relation to the annual budget cycle, it covers the planning, preparation and adoption, and also the review and reporting processes.

In addition to the statutory requirements governing the development and management of budgets contained within the Local Government Act and Regulations the Roxby Downs (Indenture Ratification) Act 1982 requires that:

- BHP and Council shall agree upon any rates levied in respect of township services, facilities or infrastructure (clause 29 (3)(a)); and
- the State Government and BHP to pay 50% each of any deficit in municipal funding where the budget has been approved by the State Government and BHP prior to the start of the financial year (clause 29 (3)(b)).

For a number of years an administrative arrangement has been made whereby the State Government, after consultation with BHP, has provided guidance on the level of deficit funding prior to the development of the budget.

2. PURPOSE

This policy provides a framework and guidelines for the development and ongoing management of Council's budget, which are consistent with Council's legislative requirements.

3. BUDGET DEVELOPMENT PRINCIPLES

In the development of Council's budget, the following principles will be adhered to:

- The budget will address objectives identified in the Council's Strategic Plan;
- Consultation will be held with ratepayers and relevant parties;
- Due consideration will be given to the financial sustainability of Council and the achievement of an operating surplus;
- Budgets will be well researched, realistic and prudent;
- Performance measures will be identified to monitor budgets; and
- External loan borrowings and asset sales will not be used to fund recurrent services.

4. BUDGET PROCESSES / INDICATIVE TIMELINES

The following table outlines the key activities associated with the development and management of the budget.

Key steps for establishment of Budget	Month	Key steps for monitoring of Budget
Review LTFP/AMP Confirm budget timetable	October	
	November	First review of budget - based upon September results
Confirm budget parameters with State Government and BHP	December	
	January	
ABP development commences	February	
Budget development commences	March	Second review of budget - based upon December results
ABP consultation begins	April	
Draft ABP and Budget submitted to State Government and BHP	May	Third review of budget - based upon March results
ABP and Budget adopted	June	
Final Rates modelling undertaken	July	
	August	
	September	
	October	Final Review of Budget

5. POLICY

- 5.1. The budget will comply with requirements of the *Local Government Act 1999* and related regulations.
- 5.2. As part of the budget process Council will prepare an annual business plan, which will:
- Address objectives, activities and performance measures of the Council;
 - Assess financial requirements;
 - Address rating structures and policies; and
 - Take into account the long term financial management plan and asset management plan.
- 5.3. Council will aim for the following in the development of its annual budget and business plan:

Indicator	Actuals to Term 30 June 2021	Target Short Term Years To 2025	Target Medium Term Years To 2028	Target Long Term to 2033
Operating Surplus/(Deficit) Ratio - % <i>Operating surplus / general and other rates less NRM levy</i>	8.5%	(2%) to 0%	(1%) to 3%	0% to 3%
Net Financial Liabilities Ratio - % <i>Total liabilities less financial assets/ total operating revenue</i>	(105)%	Not to exceed 50%	Not to exceed 50%	Not to exceed 50%
Asset Renewal Funding Ratio - % <i>Net capital expenditure on the renewal or replacement of assets / IAMP required expenditure</i>	67%	90 to 110%	90 to 110%	90 to 110%

- 5.4. The following principles will underpin the budget development:

5.4.1. Honest and Accountable

Council will be honest and accountable in all aspects of the budget process, meeting the community's expectations of transparency and openness with a reporting framework that supports and enhances this. The Annual Business Plan will be available each year in hard copy form in the Council office and on Council's web-site.

5.4.2. Strategic Approach

Council will maintain a strategic approach to the delivery of all council services and capital works programs. The budget will respond to the Council's Strategic Plan.

5.4.3. Long Term Financial Planning

An appropriate view of long-term asset planning will reinforce the delivery and achievement of Council's long term strategic objectives in a sustainable manner. All programmes will be regularly reviewed to ensure they fit within the Council's financial framework.

5.4.4. Realistic Budgeting

All budget figures will be realistic, based on the best available information and utilise a zero based budgeting approach.

5.4.5. Affordable Rates

Rates will be set at an affordable level having regard to the Council's strategic directions and its social and economic objectives balanced against the community's ability to pay. Rate

increases will be set within the 10-year framework of the long term financial management plan, but this will be re-assessed on an annual basis.

5.4.6. Avoid Cost Shifting

Council will have regard to the appropriate roles of Federal, State and Local Government when funding services.

5.4.7. New Initiatives

All new initiatives will be evaluated in terms of meeting Council's strategic directions and incorporate a business case and cost benefit analysis which includes whole of life costing.

5.4.8. Asset Sales and Debt

The operational budget will be structured such that there is no reliance on asset sales to fund core services.

Debt will be regarded as a tool to be used in a strategic perspective to achieve the provision of services to the community.

Debt will be considered

- in the context of the strategic objectives of Council;
- in the context of long term financial forecasts and objectives;
- as funding for long term infrastructure asset creation; and
- In the context of Council's Treasury Management Policy.

5.4.9. Financial Control

Council commits to ensuring that financial and other resources under its control will be used only for approved purposes and within Council's strategic framework and that all risks to Council's finances are properly managed.

5.4.10. Financial Sustainability

Financial sustainability ratios will be reported upon in the budget of the Council, pursuant to requirements of the Local Government (Financial Management) Regulations 2011.

5.4.11. Budget Employee Consultation

The budget development process will involve consultation with any relevant Council employee who may, due to their role or responsibilities, be considered to be a stakeholder.

- 5.5. Community consultation will occur annually on Council's Annual Business Plan and Budget in accordance with Section 123 of the Local Government Act and in accordance with Council's Public Consultation Policy.
- 5.6. A Budget Review report will be prepared three times a year with the timing and content to be consistent with the requirements of the regulations (Local Government (Financial Management) Regulation 2011 Part 2 Paragraph 9(1)) and presented to the Audit Committee for review and the Administrator / Council for adoption.
- 5.7. Council approval must be sought and obtained before commitments are made that would result in activity outside of the budget limits.
- 5.8. Where circumstances so warrant (e.g. for reasons of urgent necessity) the Administrator may authorise variations in activity that are within the scope of approved limits for budget items providing that variations made do not:
 - in aggregate 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 in 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 following Budget Review must include information from explaining the rationale for the decision.

- 5.9. 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.

Any request for carrying forward activity needs 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 reasons for 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.

6. REVIEW

The effectiveness of this Policy will be reviewed and evaluated every 3 (three) years.

7. AVAILABILITY

This Policy is available for inspection at the Council Office, 6 Richardson Place during ordinary business hours and is also available from Council's website <https://www.roxbydowns.sa.gov.au/council/about-roxby-council/policies>