



TITLE: BUDGET MANAGEMENT POLICY

MOUNT BARKER
DISTRICT COUNCIL

REFERENCE NUMBER:	DOC/20/133622
RESPONSIBLE OFFICER/ DEPARTMENT:	CORPORATE SERVICES
APPLICABLE LEGISLATION:	Local Government Act 1999 Section 123. Local Government (Financial Management) Regulations 2011 Regulations 7 and 9.
MOUNT BARKER 2020-2035 – COMMUNITY PLAN:	Leadership and Good Governance: LGG Strategy 1.8 Maintain organisational and budget capacity for project delivery and effective and efficient programs and services.
RELATED POLICIES:	<ul style="list-style-type: none">• Treasury Management Policy• Funding Policy• Equity Accounts (Other Reserves) Management Corporate Policy• Commercial Policy• Asset Management Policy• Asset Accounting Policy• Funding Policy• Rating policy
SUPPORTING PROCEDURES:	<ul style="list-style-type: none">• Capital Budget, Budget Review/Adjustment Procedure• Operating Budget, Budget Review/Adjustment Procedure• Budget Ranking Procedure
PREVIOUS REVIEW DATES:	26 August 2020
ENDORSED BY COUNCIL:	18 January 2021
MINUTE RESOLUTION NUMBER:	OM20210118.05
NEXT REVIEW DATE:	January 2024

1. PURPOSE

The Local Government Act 1999 prescribes that a council must adopt for each financial year.

- An annual business plan; and
- A budget.

This policy endorses these requirements to ensure compliance with the Act.

The purpose of this policy is to provide a framework for Council and Management in relation to the preparation, consideration, adoption and review of the Annual Budget / Business Plan in compliance with the Local Government Act.

2. SCOPE

This Policy is applicable to all employees and Council Members and covers the annual budget requirements for Mount Barker District Council.

3. DEFINITIONS

Key Term – Acronym	Definition
Model Financial Statements	Prescription endorsed in the Local Government Act regarding presentation of the annual financial statements, budget and long term financial plan.
Operating surplus ratio	This ratio expresses the operating surplus (operating revenues less operating expenses) as a percentage of operating revenue.
Asset renewal funding ratio	This ratio indicates whether council's capital expenditure on asset renewal/replacement of existing assets is what is needed to cost effectively maintain service levels as prescribed in Council's adopted Asset Management Plans.
Net financial liabilities ratio	This ratio indicates the extent to which the net financial liabilities or council's indebtedness can be met by councils total operating revenues.
'Approved Budget'	Adopted capital budget adjusted for year-end carry forwards.
Operating Budget	Identifies the amount of money Council will receive in income and spend on expenses in the course of its normal operating (non-capital) activities. The operating budget includes items such as rates, user charges, specific operating grant revenue, salaries and wages, utility and administrative costs.
Capital Budget	Is the amount of money Council will invest in the creation of new assets or renewal/upgrade of our current assets. Associated revenue can include grant revenue supporting the delivery of capital projects or developer contributions.

Key Term – Acronym	Definition
Asset Renewals	Is the amount of money Council will invest in Capital maintenance programs for renewal and replacement to prevent costly deterioration of infrastructure and maintaining an adequate level of investment on existing assets to maintain satisfactory levels of service on an annual average basis. Aligned with asset management plans.
New & Upgraded Capital	Assets that are added to Council's existing complement or where an existing asset is replaced with an asset that provides additional capabilities or services. Expected funding source is capital grants and contributions, sale of surplus assets and or borrowings.
Corporate Governance Group (CGG)	The Executive group of Council including the Chief Executive Officer, Deputy Chief Executive Officer and General Managers.

4. ROLES & RESPONSIBILITIES

Council:

Is responsible for approving the policy and for ensuring that a budget is adopted that achieves the key budget principles.

Chief Executive Officer:

Is responsible for the following:

- **Approval** - Approve the recommended budget position for adoption by Council and further revisions as part of the Budget Review process in accordance with the Local Government Act.
- **Provision of Information** - Provide information to Council to support Council decision making.

General Managers, Deputy Chief Executive Officer, Chief Financial Officer (CGG):

Are responsible for the following:

- **Advisory Group To The CEO** – CGG will recommend a budget position to the Chief Executive Officer for adoption and further revisions as part of the Budget Review process by Council in accordance with the Local Government Act.

Chief Financial Officer:

Is responsible for the following:

- **Leadership Of Budget & Budget Review Process** – Designing the process, setting of key financial deadlines, inputs and reporting to the CEO and CGG on progress.
- **Provision of Information** - Provide information to CGG and Council to support evidence based decision making with regard to the budget and Budget Reviews throughout the year.

Managers:

- **Budget Delivery** – Managers are responsible for the achievement of deadlines as agreed and quality of inputs for the budget and subsequent budget reviews in alignment with budget guidelines.

5. POLICY STATEMENTS

- 5.1 **Timing** – The budget must be considered in conjunction with the Council’s Annual Business Plan and be adopted after 31 May and before 31 August for the ensuing financial year. The budget must comply with the standards and principles prescribed by the regulations under the Local Government Act 1999. The budget shall include budgeted financial statements, which must be presented, other than notes and other explanatory documentation, in a manner consistent with the Model Financial Statements.
- 5.2 **Revenue & Expenditure** - The budget must also state whether the projected operating income is sufficient to meet projected operating expenses for the relevant financial year and include a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances.
- 5.3 **Annual Business Plan** - As part of the budget process Council will prepare an Annual Business Plan which will address the activities the Council intends to undertake in the ensuing year to achieve its objectives and the key performance indicators that Council will use to assess its performance against its objectives.
- 5.4 **Key Financial Indicators (KFIs)** - Council's key financial indicators will include as a minimum a forecast with respect to the councils operating surplus ratio, asset sustainability ratio and net financial liabilities presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.
- 5.5 **Budget Development** - The basis for Council’s budget each year will, in its initial stages of development, be based upon budget guidelines issued to staff prior to the start of each year’s process. The result will be evaluated and refined in terms of the Council’s Long Term Financial Plan, corporate plans and objectives and within the framework of Council budget assumptions and Community Plan Outcomes.

6. POLICY PRINCIPLES:

A number of factors are to be taken into consideration when preparing the annual budget, including:

- 6.1 **Service Levels** - Recurrent income and expenses should ensure maintenance of agreed service levels for all existing services to the community.
- 6.2 **Robust and Rigorous Processes** - Are undertaken to establish the budget and ensure that it is consistent with the initiatives and objectives of the following strategic management documents including accountability and transparency in the decision making process:
- Community (Strategic) Plan;
 - Corporate Plan;
 - Strategic Asset Management Plan
 - Annual Business Plan.
- 6.3 **Realistic Assumptions** - All budget figures will be based on the best available information and the provision of value for money for the services provided.

- 6.4 **Asset Management Plans** - Will inform budget capital maintenance programs for renewal and replacement to prevent costly deterioration of infrastructure and maintaining an adequate level of investment on existing assets to maintain satisfactory levels of service on an annual average basis.
- 6.5 **New Assets/Major Upgrades** - Expenditure on new assets and/or major upgrades to the service levels of existing infrastructure assets will be the result of strategic planning decisions and generally funded from capital grants and contributions, specific separate rates raised (e.g. Transport Infrastructure Separate Rate), sale of surplus assets and or borrowings. New sources of ongoing revenue will be identified for additional maintenance and annual operating costs resulting from new or upgraded assets.
- 6.6 **Impact of Growth** - The provision of services for new residents and developments and infrastructure interventions will be funded by revenue from rates raised on new properties and is based on maintaining agreed service levels for residents and infrastructure resulting from growth.
- 6.7 **Strategic Finance Framework** - The budget will be developed in accordance with the key financial targets included in Council's Long Term Financial Plan (LTFP), and Council's Treasury and Funding Policies.
- 6.8 **Long Term Financial Plan** - The LTFP will be reviewed on an annual basis prior to the commencement of the Annual Business Plan and will be used as the foundation for budget preparations for the upcoming financial year.
- 6.9 **Key Financial Indicators (KFIs)** - The budget and subsequent budget reviews will be developed and have regard to Council's key financial indicator targets.
- 6.10 **Legislative** - The Annual Budget and Budget Reviews will comply with the relevant requirements of the Local Government Act (1999) and associated Financial Management Regulations.
- 6.11 **Financial Control** – Council is committed to ensuring that financial and other resources under Council's 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.
- 6.12 **Budget Reviews** - Should be undertaken by the Chief Financial Officer and Manager, Financial Services with the Chief Executive Officer and CGG during the year as at the following dates:
- 30 September (Budget Review 1);
 - 31 December (Budget Review 2); and
 - 31 March (Budget Review 3).

7. TRAINING / EDUCATION:

Training is provided to CGG and Council Members when communicating the details of the Long Term Financial Plan and annual budget.

8. REVIEW:

This Policy will be reviewed:

- every three years; or
- the frequency dictated in legislation, or
- earlier in the event of changes to legislation or related Policies and Procedures; or
- if deemed necessary by the Chief Financial Officer.

9. ACCESS TO THE POLICY

The Policy is available for public inspection at the Customer Service Centre, at the Local Government Centre, 6 Dutton Road, Mount Barker, South Australia and on the Council's website www.mountbarker.sa.gov.au.

10. FURTHER INFORMATION

For further information on this Policy, please contact:

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