 City of Mount Gambier	B300 BUDGET POLICY	Version No:	8.0
		Issued:	18 February 2025
		Next Review:	February 2029

1. INTRODUCTION

This policy outlines the procedures, responsibilities, and principles for the preparation, review, and management of the City of Mount Gambier's annual budget. It aims to ensure that the budget aligns with the Council's strategic objectives, provides financial sustainability, and adheres to the statutory requirements outlined in the **Local Government Act 1999**.

2. SCOPE:

This policy applies to all Council Members and employees involved in the budgeting process for the City of Mount Gambier. It covers both operating and capital budgets and applies to the preparation, approval, execution of the budget and subsequent reviews.

3. PURPOSE:

The purpose of this policy is to:

- Ensure compliance with the **Local Government Act 1999**.
- Provide a structure for the annual business plan and budget preparation, adoption and review(s).
- Ensure financial sustainability and transparency in budget decisions/adoptions including alignment to asset management plans and long term financial plans.

4. DEFINITIONS:

Key Term – Acronym	Definition
'Approved Budget'	Adopted capital budget adjusted for year-end carry forwards.
Annual Business Plan and Budget	Key operational and financial planning document required under s123 of the Local Government Act 1999 to be prepared each financial year. The Annual Business Plan and Budget sets proposed operational programs, services and projects for the relevant financial year and how Council will allocate the budget to deliver these.
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.
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.


Key Term – Acronym	Definition
Capital Budget	Is the amount of money Council will invest in the creation of new assets or renewal/upgrade of existing assets.
Executive Leadership Team (ELT)	The Executive group of Council including the Chief Executive Officer, and General Managers.
Key Financial Indicators (KFIs)	Financial ratios used to assess financial performance and include: Operating Surplus Ratio Asset Renewal Funding Ratio Net Financial Liabilities Ratio
Long Term Financial Plan	Guides the future direction of Council in a financially sustainable manner. A high-level summary of proposed operating and capital investment activities presented in a manner consistent with the Model Financial Statements
Model Financial Statements	Prescription endorsed in the Local Government Act regarding presentation of the annual financial statements, budget and long term financial plan.
Net Financial Liabilities Ratio	This ratio indicates the extent to which the net financial liabilities or council's indebtedness can be met by council's total operating revenues.
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, rates and/or borrowings.
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.
Operating Surplus Ratio	This ratio expresses the operating surplus (operating revenues less operating expenses) as a percentage of operating revenue.

5. ROLES & RESPONSIBILITIES

Council:

Council's role in the budget process is strategic and focuses on high-level financial performance and the achievement of the Council's strategic objectives.

- Approval of this Policy
- Ensuring that a budget is adopted that achieves the key budget principles.

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- Monitor the overall budget performance and approve targets for key financial indicators (KFIs)

Audit & Risk Committee:

The Committee shall review and provide advice on Council's Annual Business Plan and Budget (at the time of their preparation and scheduled review).

Chief Executive Officer (CEO):

The CEO's is responsible for the operational management of budgets, ensuring agreed service levels are maintained and that there is direct alignment to strategic outcomes whilst also ensuring Council remains financially sustainable.

- **Recommend** the proposed budget to Council and ensure that it is consistent with the Council's strategic priorities and operational requirements. Recommend further revisions as part of the Budget Review process to Council in accordance with the Local Government Act.
- **Provide information** to Council to support Council decision making.

General Managers:

- **Recommend** a budget position and subsequent budget review positions to the Chief Executive Officer.
- **Ensure alignment** to the overarching Strategic Plans of Council including direct alignment to their department's operational plans and goals.
- Oversee progress of specific projects or program, including service levels.

Manager Financial Services:

- **Lead** the preparation of the budget, manage the budget review process, and provides regular updates to the ELT and Council.
- **Provide information** to the ELT and Council to support evidence based decision making with regard to the budget and budget reviews throughout the year. This includes tracking, reporting and analysis of actual income and expenditure against budget.
- **Expert advice** and conduit between Local Government Sector, Elected Members, Executive and Management.

Budget Manager:

- Develop detailed budget inputs, participate in budget workshops, and ensure timely submission of budget documents to meet required deadlines.
- Variance tracking and reporting progress against budget.
- Manage delivery of specific projects or programs of work.

6. POLICY STATEMENTS:

- 6.1 **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.

- 6.2 **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.
- 6.3 **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.
- 6.4 **Carry Forwards** – Budget allocations for capital projects not commenced prior to the end of the financial year will not automatically be carried forward to the next financial year. Capital projects not commenced or identified as not being able to commence and complete within a financial year, will not be automatically carried forward and where practical will be removed, re-prioritised and costed and included in relevant asset management plans and forward works programming for future years.

Capital projects commenced and reasonably estimated to be completed before the end of the financial year, but due to reasons outside of the control of Management were not able to be finished are eligible to be carried forward to the following financial year.

No carry forwards will be allowed for operational items excluding where they are tied to grant funding, all must be re-evaluated as part of the budget revision process and where relevant requested for input to future years budgets.

- 6.5 **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 renewal funding ratio and net financial liabilities presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.
- 6.6 **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, annual objectives, KPIs and within the framework of Council budget assumptions and Strategic Plan Outcomes.
- 6.7 **Budget Reviews** - In accordance with the Local Government (Financial Management) Regulations 2011, Regulation 9 requires Council to
- prepare and consider the uniform presentation of finances relating to the review of budgets at least twice, between 30 September and 31 May, and
 - between 30 November and 15 March (dates inclusive) prepare and consider a report that compares the revised forecast for each item of the financial statements to the adopted budget in a manner consistent with the Model Financial Statements.
 - include a report that presents the key financial indicators in a manner consistent with the Model Financial Statements.

Budget reviews should be undertaken by Budget Managers, Finance and ELT during the year in accordance with Table 1 (below) and recommended to Council at the appropriate time immediately following:


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Table 1: Budget Review Schedule

Budget Review	Inclusive Dates
Budget Review 1 (BR1)	1 July to 30 September
Budget Review 2 (BR2)	1 October to 31 December
Budget Review 3 (BR3)	1 January to 31 March

7. POLICY PRINCIPLES

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

7.1 **Service Levels** - Recurrent income and expenses should ensure maintenance of agreed service levels for all existing services to the community.

7.2 **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:

- Mount Gambier 2035
- Strategic Plan;
- Long Term Financial Plan;
- Asset Management Plan; and
- Annual Business Plan.


For full detail of Council's document hierarchy including strategies and plans, refer to the Strategic Document Hierarchy listed under the related documents section of this Policy.

7.3 **Realistic Assumptions** - All budget figures will be based on the best available information and the provision of value for money for the services provided.

7.4 **Asset Management Plans** - Will inform budget capital maintenance programs for renewal and replacement to prevent costly deterioration of infrastructure and maintain an adequate level of investment on existing assets to ensure satisfactory levels of service on an annual average basis.

7.5 **Asset Renewals** – Expenditure on the renewal of assets will be informed by asset management plans taking into consideration the strategic and community importance of the asset (criticality), results of condition audits and other information to ensure that assets are maintained at an appropriate standard.

7.6 **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, sale of surplus assets, rates and/or borrowings. New sources of ongoing revenue will be identified for additional maintenance and annual operating costs resulting from new or upgraded assets.

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7.7 **Financial Sustainability** - 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 Management Policy.

7.8 **Key Financial Indicators (KFI)s** - The budget and subsequent budget reviews will be developed and have regard to Council’s key financial indicator targets.

7.9 **Legislative Obligations** - The Annual Budget and Budget Reviews will comply with the relevant requirements of the Local Government Act (1999) and associated Financial Management Regulations.

7.10 **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.

8. TRAINING / EDUCATION:

Training is provided to key members of staff, the Executive Management Team and Elected Members when communicating the details of the Long Term Financial Plan and annual budget process.


9. REVIEW & EVALUATION

This Policy is scheduled for review by Council at least once throughout a designated Council term; however, it will be reviewed as required. This Policy will be reviewed:

- every four 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 Manager Financial Services or ELT.

10. AVAILABILITY OF POLICY

This Policy will be available for inspection at Council’s principal office during ordinary business hours and on the Council’s website www.mountgambier.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council’s Schedule of Fees and Charges.

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File Reference:	AF11/893
Applicable Legislation:	Local Government Act 1999 Section 123. Local Government (Financial Management) Regulations 2011 Regulations 7 and 9.
Reference: Strategic Plan – Beyond 2015	Goal 3, Our Diverse Economy.
Related Policies:	A900 Asset Management Policy T150 Treasury Management Policy P420 Procurement and Disposal of Land and Assets R105 Rating Policy
Related Procedures:	Operating Budget, Budget Review and Adjustment Procedure Capital Budget, Budget Review and Adjustment Procedure Budget Ranking Procedure
Related Documents:	LGA Financial Sustainability Information Paper 25: Monitoring Council Budget Performance Long Term Financial Plan (latest version) Annual Business Plan and Budget (latest version) Annual Business Plan Guidelines (Rolled out to staff annually). Strategic Document Hierarchy Integrated Planning and Budgeting Framework (in progress)

DOCUMENT DETAILS

Responsibility:	General Manager Corporate and Regulatory Services
Version:	8.0
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