

 City of Mount Gambier	B300 BUDGET FRAMEWORK POLICY	Version No:	6.0
		Issued:	November 2021
		Next Review:	November 2025

1. INTRODUCTION

This document sets out the policy of the City of Mount Gambier (“Council”) for the preparation, review and report on its budget every financial year.

2. SCOPE:

This Policy is applicable to all employees and Council Members and covers the annual budget requirements for City of Mount Gambier Council.

3. 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.

4. 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.

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Key Term – Acronym	Definition
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.
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.
Executive Management Team (EMT)	The Executive group of Council including the Chief Executive Officer, and General Managers.

5. ROLES & RESPONSIBILITIES

Council:

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

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:

Is responsible for the following:

- **Recommendation** – Recommend the budget position to be presented to Council for adoption 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:

Are responsible for the following:

- **Executive (EMT)** - The Executive will recommend a budget position and subsequent budget review positions to the Chief Executive Officer.

Manager Financial Services:

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 Executive on progress.

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- **Provision of Information** - Provide information to the Executive and Council to support evidence based decision making with regard to the budget and budget reviews throughout the year.

Budget Officers:

- **Budget Delivery** – Budget Officers are responsible for the following:
 - Preparation of budget inputs;
 - Attendance at budget workshops;
 - Presentation of budget; and
 - Achievement of deadlines as agreed and quality of inputs for the budget and subsequent budget reviews in alignment with budget guidelines.

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 **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.
- 6.5 **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, annual objectives, KPIs and within the framework of Council budget assumptions and Strategic Plan Outcomes.
- 6.6 **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. A report must also include a report that includes the key financial ratios (operating surplus ratio, net financial liabilities ratio and asset sustainability ratio) in a manner consistent with the Model Financial Statements.

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Budget reviews should be undertaken by Manager, Finance with the Chief Executive Officer and Executive Management Team during the year as at the following dates and taken to Council at the appropriate time:

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:
 - Futures Paper;
 - Strategic Plan;
 - Long Term Financial Plan;
 - Asset Management Plan; and
 - Annual Business Plan.
- 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 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)** - 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 in November 2025; 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 Finance.

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 Annual Business Plan Guidelines (Rolled out to staff annually).

DOCUMENT DETAILS

Responsibility:	General Manager Corporate and Regulatory Services
Version:	6.0
Last revised date:	18 February 2020
Effective date:	16 November 2021
Minute reference:	16 November 2021 - Item Resolution 19.4 2021/353
Next review date:	November 2025

<u>Document History</u>	
First Adopted By Council:	21 August 2012
Reviewed/Amended:	March 2014, April 2015, 16 January 2018, 18 February 2020, 16 November 2021.