

# Budget Review Policy

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| <b>Policy Reference Number</b>  | 5615227                   |
| <b>Responsible Department</b>   | Corporate Services        |
| <b>Related Policies</b>         | Budget Preparation Policy |
| <b>Related Procedures</b>       | Nil                       |
| <b>Date of Initial Adoption</b> | 5 May 2009                |
| <b>Last Reviewed by Council</b> | 15 August 2023            |

## 1. Purpose

The purpose of this Policy is to set the guidelines which will apply to Council budget reviews.

## 2. Introduction

A budget expresses the Annual Business Plan in financial terms by providing a one year forecast of income and expenses. The budget is also used to help determine the level of rates required to fund the services and projects outlined in the Annual Business Plan and Budget.

Regulation 9 of the Local Government (Financial Management) Regulations 2011 requires Council and its subsidiaries to review their budgets at least three times in each financial year and consider a report on the revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget.

A budget review provides an opportunity to amend the previously adopted (or revised) budget. Changes to a budget may be required as further information is received during the year. Reasons for these changes may include:

- Changes in services expected by the Community
- Additional funding received to carry out new or extended services
- Delays in projects or services
- Ad hoc budget adjustments
- Council decisions
- Reallocation of resources
- Reduction in funding received for existing services
- Amendments to regulations / legislation that change the financial obligations of Council.

## 3. Power to Make the Policy

Council is empowered to make this Policy pursuant to Regulation 9 of the Local Government (Financial Management) Regulations 2011.

#### 4. Strategic Plan Link

This Policy has the following link to Council's Strategic Plan 2024:

- Leading Our People (Goal 5)

#### 5. Principles

Factors to take into consideration when administering the budget review process include:

- Commitment to financial sustainability by ensuring that the adopted key financial targets are met
- Consistency with Council's strategic direction, LTFP (Long Term Financial Plan) and Annual Business Plan and Budget
- Accountability and transparency in the decision making process
- Providing value for money for the services provided
- Maintaining the budget allocated to each project type.

#### 6. Definitions

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| <b>Capital-New:</b>                       | Where an asset is added to Council's existing complement or where an existing asset is expanded to provide additional capabilities or services.                                     |
| <b>Capital-Renewal &amp; Replacement:</b> | Where an existing asset's service life is extended, but its service capability is not improved.   |
| <b>New Initiatives:</b>                   | Services that are provided for the first time that may have consequences on future recurrent budgets, or are short-term in nature. No asset is created as a result of this project. |

#### 7. Policy

To ensure the principles of this policy are met, the following guidelines should be applied during the budget review process.

The exception to these guidelines occurs where circumstances are outside Council's control. This may occur as a result of the following changes in circumstances:

- Cost shifting from other levels of government
- Changes to legislation or regulations
- Budget items carried forward from the previous financial year.

Where these circumstances occur, Council will attempt to achieve its adopted financial targets.

## **Operating Surplus/Deficit**

The operating surplus/deficit is calculated by deducting Council's operating expenses from its operating income. This result is used to determine the Operating Surplus ratio.

As a result of the budget review, the budgeted operating result should at least remain the same where possible.

## **Replacement of Existing Projects**

To assist in the calculation of Council's financial targets, projects are classified into three categories, being:

- New Initiatives (Operating)
- Capital-Renewal & Replacement
- Capital-New.

When undertaking a budget review, Council should aim to ensure that its key financial targets are maintained or improved. The net budget allocated to each of these project types should not be increased without a corresponding increase in income of the same nature or a reduction in expenses in the same financial year, unless a resolution is passed by Council to the contrary.

Where such projects are delayed to future financial years, the allocation will remain in the budget, unless Council resolves to remove the existing budget and re-commit the reduced budget to a future financial year. The allocation remaining for these incomplete projects at the end of the financial year shall be included in the items recommended to be carried forward to the following financial year. Council is responsible for adopting the items to be carried forward, with the budget for these items being recognised as part of the Committed Works Reserve at the end of financial year.

Projects to be considered during the budget review process can be put forward for consideration at any time. A listing and explanation of all projects to be considered for selection will be provided at the time of presenting the budget review to Council for adoption. This will provide Elected Members with supplementary information to complement previous reports presented to Council which propose extra projects for inclusion in the revised budget.

## **New Initiatives**

Where there is a reduction in the value of New Initiative projects, funds may be allocated to other New Initiative projects. Alternatively, these funds may be identified as savings to Council's operating budget.

## **Capital-Renewal & Replacement**

When a Capital-Renewal and Replacement project does not proceed, it should be replaced by project(s) with the next highest priority in Council's AMP (Asset Management Plan) or asset replacement schedules, subject to Council approval. Alternatively, the surplus budget should be allocated to the Renewal and Replacement Reserve for use when required.

## Capital-New

Increases in Capital-New expenditure will normally be accompanied by an appropriate increase in operating expenditure. This will ensure that any new maintenance and depreciation commitments associated with the project are incorporated into the current and future budgets.

Where there is a reduction in the value of Capital-New projects, the budget may be allocated to other identified Capital-New projects. Where no other Capital-New projects are identified, the reduction in funds should be used to reduce any budgeted loans or increase investments.

The level of expenditure available for Capital-New projects will be based on the assumption allocation contained in Council's adopted LTFP. Projects of this nature will require a report prepared for Council to consider prior to being included as part of the rating process. Borrowing may be required to fund Capital-New projects, and such decisions will take into account Council's key financial targets and Treasury Management Policy.

### Capital Works requested by Community Organisations at Council Owned Facilities

***Community Organisations not subject to lease/hire fees (or fees equivalent to peppercorn rent)*** - Asset renewals and upgrades requested by Community organisations at Council owned facilities (including but not limited to buildings, playing fields and courts) must have at least two-thirds of the total cost of the project funded by the organisation. This funding may be provided through monetary contributions (upfront or lease arrangement), in-kind support, Government grants or a combination of these methods. Projects of this nature will require a report prepared for Council to consider prior to being included as part of the rating process.

***Community Organisations subject to lease/hire fees*** - Asset renewals and upgrades requested by Community organisations at Council owned facilities (including but not limited to buildings, playing fields and courts) must have at least 50% of the total cost of the project funded by the organisation. This funding may be provided through monetary contributions (upfront or lease arrangement), in-kind support, Government grants or a combination of these methods. Projects of this nature will require a report prepared for Council to consider prior to being included as part of the rating process.

Should Council agree to an asset renewal or upgrade project proposed by a Community organisation, all associated works and costs will be managed by Council.

## 8. Review & Evaluation

Within six months of each new Council term Council will review this policy. Following this initial review this policy will be reviewed annually by staff with minor administrative adjustments being approved by the Chief Executive Officer.

## 9. Availability of the Policy

Copies of this Policy will be available at Council's principal office during ordinary business hours and at Council's website [www.campbelltown.sa.gov.au](http://www.campbelltown.sa.gov.au).