

Wagga Wagga City Council

BUDGET POLICY

REFERENCE NUMBER	POL 052
ORIGINAL APPROVAL DATE	August 2014
RESPONSIBLE MANAGER	Manager Finance
RESPONSIBLE DIRECTOR	Financial Sector

This document is to be reviewed: every four years
or in the first twelve months of the new term of Council,
whichever is the earliest.

Next Review Date: September 2020

Revision number	Issue Date	Council Resolution	Council Meeting Date
1		Res No: 14/329	24 November 2014
2	August 2017	Res No: 17/279	28 August 2017

PART 1: INTRODUCTION

Developing and managing budgets is a fundamental element of Council's financial management framework. Effective budgeting will significantly contribute to the achievement of Council's goals and objectives, particularly when embedded into corporate planning and aligned to strategic plans.

Budgets are utilised to establish and communicate funding priorities, support decision making, set financial controls, and monitor and report financial performance. Effective budget processes, which underpin the efficient allocation of resources, enable Council to more readily identify and respond to change and government priorities.

This policy provides clear direction to management and staff in relation to budget management and reporting performance against Council's adopted budget

1.1 Policy Objectives

The intention of the Budget Policy is to provide management and staff with a framework to operate within in the following guidelines:

- Operating Result should be positive or breakeven;
- Long Term Financial Plan and the Asset Management Plan should be considered during the budgeting process;
- Current maintenance levels of existing assets;
- Critical analysis of fees and charges to ensure income remains at sustainable levels;
- Consideration of new loan borrowings should be consistent with prudent practice and mainly considered to fund capital projects;
- The content, timing and process to be followed for reporting to Council on its performance against budget;
- The scope and threshold limits associated with reporting variations to Council for approval; and
- The process required to be followed as well as general guidelines in relation to the carrying forward of expenditure associated with projects included in the budget for the previous year.

1.2 Scope of Policy

This policy applies to all budgets under Council's control, regardless of funding sources.

1.3 Definitions

Budget variance	Difference between a budget projection and an actual result
Carryover	Funds that are transferred between financial years
Code	Code of Accounting Practice and Financial Reporting
RAO	Responsible Accounting Officer

1.4 Legislative Context

- NSW Local Government Act 1993
- Local Government (General) Regulation 2005

1.5 Related Documents

- Operational Plan
- Delivery Plan
- Long Term Financial Plan
- Quarterly Budget Review Statement for NSW Local Government
- Code of Accounting Practice and Financial Reporting

1.6 Responsibilities

The Responsible Accounting Officer is responsible for monitoring the budget and reporting of any material budget variances (as defined paragraph 2.1.4) on a monthly basis.

1.7 Reporting Requirements

On a monthly basis the Responsible Accounting Officer is to:

- Monitor and compare actual income and expenditure with the estimate of Council's income and expenditure
- Report any material variances to Council at its next meeting.

Not later than two months after the end of each quarter, the responsible accounting officer of Council must prepare and submit to Council a quarterly budget review statement that shows:

- By reference to the estimate of income and expenditure set out in the management plan that Council has adopted for the relevant year, a revised estimate of the income and expenditure for that year;
- A report as to whether or not the responsible accounting officer believes that the statement indicates that the financial position of Council is satisfactory, having regard to the original estimate of income and expenditure; and
- Any information required by the Code

1.8 Approval Arrangements

Council is to approve any material variances to budget.

1.9 Review procedures

This policy is to be reviewed annually.

PART 2: POLICY CONTENT

2.1 General Provisions

2.1.1 Effective Planning and Coordination

Overall responsibility for planning and day-to-day coordination of the budget process resides in the finance area, principally with the Manager Finance.

The elements of effective planning and coordination include:

- setting budget policies;
- establishing budget timetables and milestones;
- allocating responsibility for budget preparation and review; and
- documenting budget processes and communicating guidelines.

2.1.2 Adoption of Budget

In adopting a balanced budget, Council is to ensure that all items of operating and capital expenditure have an identified funding source.

2.1.3 Monitoring and Reporting against Budget

To measure budget performance, Council monitors the extent to which budget estimates compare with actual results. This helps ensure financial control and identify where change is required.

Monitoring budget accuracy is the responsibility of all managers.

In order to ensure the effective monitoring of budget performance managers are provided with relevant, timely and accurate information appropriate to their cost centre on a monthly basis by the management accounting team. Managers (including cost centre managers) are required to provide clear and consistent feedback in a timely manner about underlying causes and effects of budget variations, as well as planned actions to manage variations for which they are accountable.

2.1.4 Reporting Budget Variations

The purpose of this policy is to ensure that material variances to budget are identified for the Operational Plan and the Long Term Financial Plan (LTFP) and reported to Council for approval on a timely basis.

A material budget variation is defined as below:

- For operational income and expenditure any favourable or unfavourable variation that is the more than \$5,000.
- For capital income and expenditure any favourable or unfavourable variation that is greater than \$10,000.

When reporting material budget variances to Council each negative budget variation must include a funding source to ensure that the original budget result can be maintained.

It is the responsibility of the relevant budget manager in conjunction with Finance staff to identify material budget variations during monthly financial performance reviews of their relevant cost centre budgets.

2.1.5 Capital Budgets

In terms of the Long Term Financial Plan no additional capital projects are to be added to the current operational plan, unless an existing project or projects of the same value are removed from the current operational plan to accommodate the new project, unless the projects is funded through external grants and contributions.

Any future capital projects that are identified during the course of the operational plan are by default to be added to the unfunded capital program. These project costs are to include whole of life costs in addition the capital cost.

2.1.6 Emergency Events

If an emergency event occurs due to an unexpected or unforeseen event such as storm, flood, fire or earthquake that results in critical urgent works to be undertaken to make safe, broken or damaged property, equipment or services the General Manager is authorised to make such expenditure within the limits of their financial delegations.

As soon as practicable a report must be prepared and submitted to the next council meeting, providing details of the event and the expenditure incurred.

2.1.7 Scope of Works

For capital construction projects included in the operational plan that have a budget which exceeds \$500,000, the budget papers supporting this project will include a summary of the scope of works. Any changes to the scope of works are to be reported to Council.