

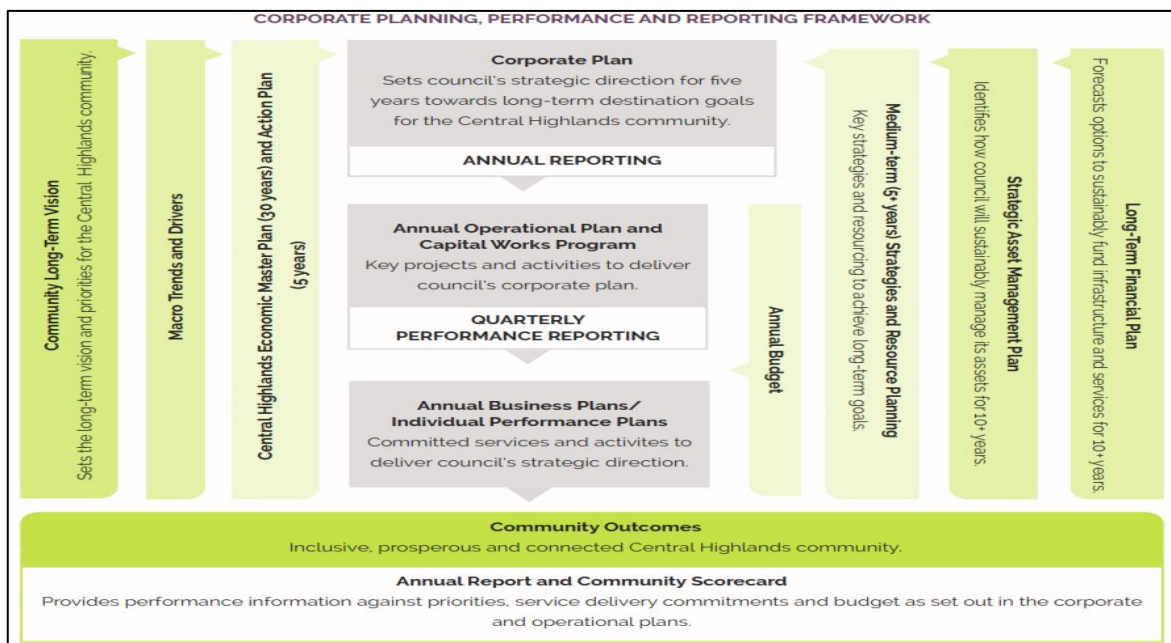
1.0 Policy Purpose

To provide a framework for the preparation, adoption and amendment of Central Highlands Regional Council’s (council) budget, to ensure that the annual budget is legislatively compliant and financially sustainable.

2.0 Policy Scope

This policy applies to Council’s corporate budgeting activities, including the annual adopted budget and any subsequent budget reviews.

The budget sits within Council’s integrated Corporate Planning, Performance and Reporting Framework.



To deliver on Council’s mission that, ‘we are a Council committed to continuous improvement, a sustainable future and efficient investment in our communities,’ a robust financial planning framework is required to support long term financial sustainability.

Financial sustainability is about Council being able to maintain its infrastructure capital (assets) and financial capital (cash) over the long term. In turn, long term financial planning relies on an understanding of the infrastructure funding needs of council, including maintenance, upgrades and renewals.

Council uses budgeting and long-term financial planning to ensure the financial sustainability of the region is maintained for future generations and applies the following principles in budget development:

- the long-term impacts of projects will be considered including whole of life costs.
- projects will be considered using a program approach i.e. whole of council, to ensure the

Electronic version current – uncontrolled copy valid only at time of printing		
Adoption Date: 28 June 2023	Amended Date: 28 June 2023	Document Name: Budget Policy
Revokes: Budget Policy previously resolved by council on 30 June 2021	Review Date: 30 June 2024	Page 1 of 8

- relative merits of individual projects are considered comparatively with all projects
- asset management plans will be used as a core decision making tool
- a multi-criteria analysis tool will be used to rank and prioritise projects
- grant funding will only be sought and accepted where projects are strategically aligned, and the benefits outweigh the whole of life cost
- where possible, projects of a similar nature should be grouped to take advantage of economies of scale
- where possible, larger projects should be undertaken in a single location, in lieu of small investments in multiple locations in the same budget cycle

3.0 The Annual Budget

Council sets an annual budget in accordance with section 104 of the *Local Government Act 2009 (LG Act)*. Chapter 5, Division 3 of the Local Government Regulation 2012 (LG Regulation) sets out the requirements for local government budgets.

Section 170 of the LG Regulation requires that each council must adopt a budget for the financial year after 31 May and before 1 August or before a later day decided by the minister. The budget can be amended, by resolution, at any time before the end of the financial year and must be amended if council makes an extraordinary decision.

The budget must be consistent with Council’s five year corporate plan and the annual operational plan and be prepared for the financial year and the next two financial years (three year budget), on an accrual basis. Section 169 of the LG Regulation states that the budget must include the following:

- Statement of financial position
- Statement of cashflow
- Statement of changes in equity
- Statement of income and expenditure
- Long term financial forecast (there are also additional requirements under section 171 of the LG Regulation)
- Revenue Statement (there are also additional requirements under section 172 of the LG Regulation)
- Revenue Policy
- Calculation of the ratios prescribed by the applicable Financial Management Sustainability Guidelines
- The percentage change in rates and utility charges levied for the financial year compared with the previous financial year
- An estimated activity statement for each business activity where Council applies the code of competitive conduct (section 34(1) and (2) of the LG Regulation and section 47 of the LG Act)

In addition to adopting the budget at the budget meeting, Council must pass the following resolutions (separate from each other and any other budget resolutions):

- a resolution deciding what rates and charges are to be levied for the financial year
- a resolution to limit the increase in rates or charges subject to certain conditions (if Council is applying capping)
- a resolution identifying the rateable land to which special rates or charges apply and the overall plan for the service, facility or activity to which the special rates and charges apply
- the date by which, or the period within which, rates or charges must be paid
- a resolution to decide the different categories of rateable land and the description of each of the rating category
- a resolution if a discount for the payment of rates is allowed and the relevant details of the discount

Electronic version current – uncontrolled copy valid only at time of printing		
Adoption Date: 28 June 2023	Amended Date: 28 June 2023	Document Name: Budget Policy
Revokes: Budget Policy previously resolved by council on 30 June 2021	Review Date: 30 June 2024	Page 2 of 8

- a resolution deciding the amount of interest to be charged on overdue rates and charges
- a resolution granting concessions for rates and charges

In adopting the three year budget, council aggregates operating income and expenses according to their nature:

Operating income

- Rates and levies
- Fees and charges
- Rental income
- Interest received
- Sales revenue
- Other income
- Grants, subsidies, contributions and donations

Operating expenses

- Employee benefits
- Materials and services
- Finance costs
- Depreciation and amortisation
- Sales revenue
- Other income
- Grants, subsidies, contributions and donations

In adopting the three year budget, Council aggregates capital expenditure at a program level:

- Aerodrome operations
- Information and communication technology
- Property services
- Saleyards
- Connected communities
- Disaster management and community resilience
- Disaster management risk and resilience
- Facilities, parks and recreation
- Planning and environment
- Fleet, workshop and deport operations
- Infrastructure
- Water utilities
- Principal projects

The abovenamed program descriptions may be subject to change depending on amendments to program naming conventions or departmental internal restructuring.

Adopting the budget at the program level for capital and by the nature of the expense for operating, provides flexibility as to how budgeted funds within these elements are spent.

Apart from the above provisions of the LG Regulation and LG Act, and any applicable accounting principles, council is able to decide the content of the budget adopted under section 170 of the LG Regulation.

4.0 Annual Budget Development Considerations

During the lead up to the adoption of the original budget, detailed presentations and working papers are provided to councillors. The presentations and working papers may include potential expenditure, pricing and rating considerations and various scenarios on options to be considered before the adoption of the budget. This includes information pertaining to Council's rating, commercial and

Electronic version current – uncontrolled copy valid only at time of printing		
Adoption Date: 28 June 2023	Amended Date: 28 June 2023	Document Name: Budget Policy
Revokes: Budget Policy previously resolved by council on 30 June 2021	Review Date: 30 June 2024	Page 3 of 8

general activities.

To prevent misleading information in the media or unfounded public conjecture, it is important to control the public release of information until the formal adoption of the budget. As a matter of policy, all budget working papers including material presented on possible pricing, rating and expenditure is to be treated as 'strictly confidential'.

In recognition of the operational need to continue to respond to public enquiries/comment during the budget preparation, the Mayor and Chief Executive Officer (CEO) (or CEO delegate) are authorised to exercise discretion in releasing information which would otherwise be considered confidential under this Policy.

The operating budget is developed in the Technology One system using the My Budgeting module with individual budget packs developed for each operational area within Council. All budget packs are subject to an approval process by the relevant manager and general manager prior to being submitted to department of finance (finance). Further details are provided in the Budget Guidelines document issued by finance at the commencement of each annual budget development process.

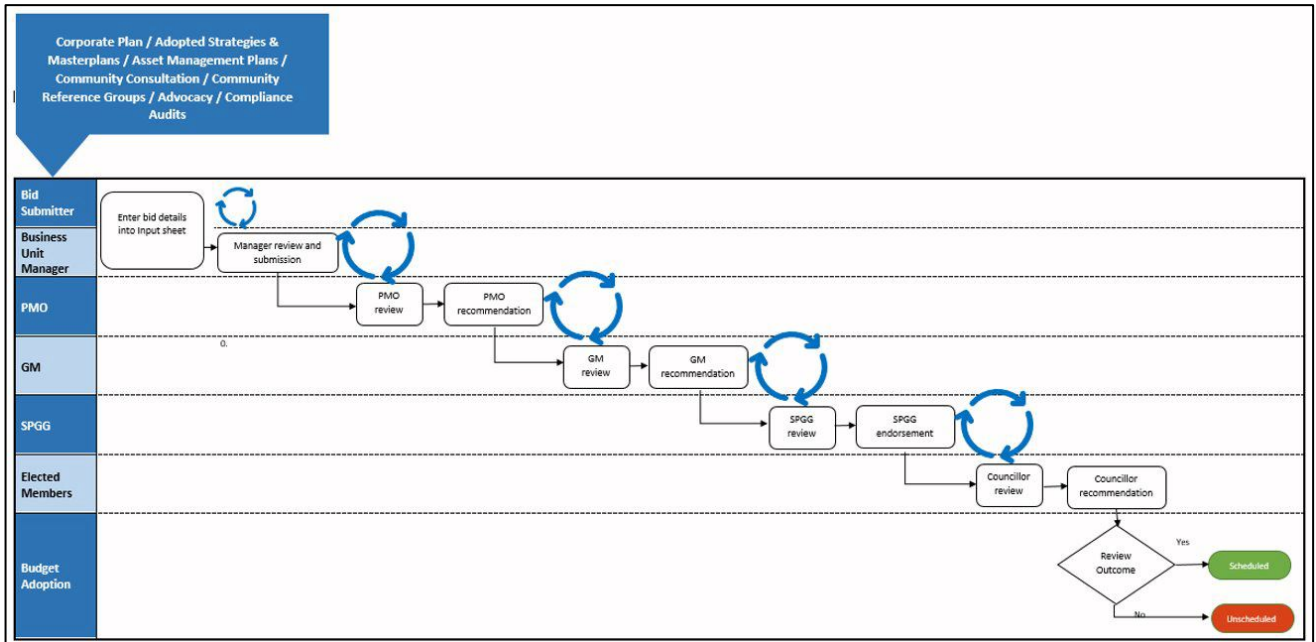
The process of presenting a budget for adoption involves the collection of detailed information about Council's income and expenditure and the aggregation of that information in summary form. Although Council uses a 'bottom-up' aggregated approach when preparing the budget and has accounting information supporting the programs (capital) and line items (operating), that accounting information does not itself form part of the budget as adopted.

The capital budget is developed through the use of budget bid input sheets in which business unit managers nominate and prioritise projects across a five-year program. These input sheets allow for the identification of alignment with council's adopted corporate plan, adopted strategies, master plans and asset management plans. The project identification source is also documented. The priority of all proposed projects is scored using an adopted multi-criteria analysis (MCA) score.

All bids are collated using Smartsheet to allow review of individual projects and programs by the Project Management Office (PMO), General Managers and Strategic Program Governance Group (SPGG). The PMO reviews the bids for alignment with corporate documents and for consistency in the application of the MCA. General managers review the bids for alignment with adopted programs and consider the deliverability of the total program by business unit. The SPGG reviews the individual bids and the proposed annual programs to ensure alignment with the long-term financial plan and council's financial sustainability.

The following diagram details the sequence of reviews for capital budgets.

Electronic version current – uncontrolled copy valid only at time of printing		
Adoption Date: 28 June 2023	Amended Date: 28 June 2023	Document Name: Budget Policy
Revokes: Budget Policy previously resolved by council on 30 June 2021	Review Date: 30 June 2024	Page 4 of 8



Failure to deliver projects against the adopted schedule and budget are the main risks for the annual capital program. Monitoring the lifecycle and expenditure of a project is a key deliverable of the SPGG, which focuses on areas such as reasons for project delays and variations in expenditure and the early detection and mitigation of issues. In conjunction with Council, the SPGG continues to progress the development of systems to improve capital project management and delivery.

5.0 Amendments to the Budget

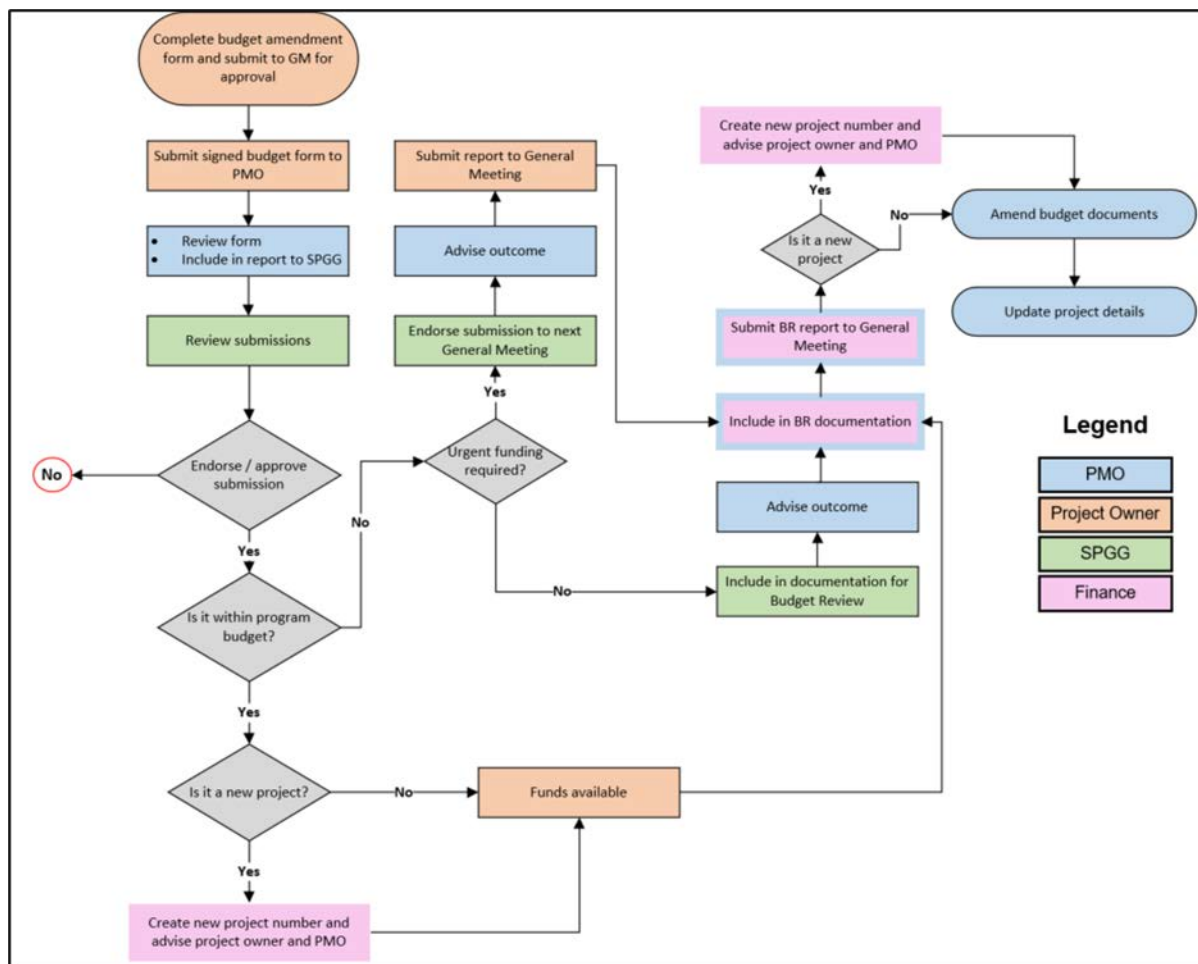
Pursuant to section 170(3) of the Local Government Regulation 2012 (LG Regulation), council may amend the budget by resolution at any time before the end of the financial year. As a significant amount of time and resources is required for Council to complete a budget review process, a minimum of two formal amendments will be made to the adopted budget each financial year.

The first budget review (BR1) will generally be performed as at 30 September (adopted in November) which will factor in the updated opening position based on the audited financial statements of the previous financial year and budgets carried forward from the previous financial year. The second budget review (BR2) will be performed as at 31 December (adopted in February/March). A third budget review may be performed as at 31 March (adopted May/June) to ensure appropriate budget allocation is available to the end of the financial year and to assist in estimating council's year end result and provide an opening position for the next year's budget. These review and adoption dates may be subject to change and will be reconfirmed each financial year.

Business areas must provide detailed submissions via the Technology One budget packs for all requested amendments to the approved operating budget position. Where practical, proposed reductions in operating revenue should only be considered where there are compensating reductions in operating expenditure. Managers should also aim to identify savings from within their own operational areas before looking to the wider organisation to fund proposed expenditure increases. Further information is provided in the Budget Guidelines document issued by finance.

Capital budget amendment forms must be submitted to the PMO when requesting changes to the approved capital budget. The capacity to deliver projects should be considered by asset managers for all submissions requesting increases to the capital program. The following flowchart outlines the process for amendments to the capital budget:

Electronic version current – uncontrolled copy valid only at time of printing		
Adoption Date: 28 June 2023	Amended Date: 28 June 2023	Document Name: Budget Policy
Revokes: Budget Policy previously resolved by council on 30 June 2021	Review Date: 30 June 2024	Page 5 of 8



Requirement for a budget amendment or a separate resolution

As Council adopts the capital budget at a program level and the operating budget according to the nature of the expense, there is flexibility as to how budgeted funds within these elements can be spent without requiring an amendment to the budget. If specific expenditure remains within the aggregated budget amount for a program (capital) or line item (operating), there is no legal requirement to amend the budget, even if the expenditure is not specified in the supporting information underlying the budget.

Officers (with the appropriate authority and financial delegation) should always ensure that when undertaking proposed contractual expenditure, it does not result in the budget for the particular program (capital) or line item (operating) being exceeded

If the proposed expenditure does not exceed the program budget (capital) or line item (operating) the money can be spent prior to a separate council resolution or budget review process before committing to the expenditure. All transfers within capital program require SPGG approval prior to undertaking expenditure.

If the proposed expenditure does exceed the program budget (capital) or line item (operating), then this would constitute unbudgeted expenditure and it will be necessary to wait for a separate council resolution or budget review process before committing to the expenditure, unless the expenditure was for a genuine emergency.

Electronic version current – uncontrolled copy valid only at time of printing		
Adoption Date: 28 June 2023	Amended Date: 28 June 2023	Document Name: Budget Policy
Revokes: Budget Policy previously resolved by council on 30 June 2021	Review Date: 30 June 2024	Page 6 of 8

Genuine emergency

In the case of a genuine emergency, the relevant general manager has the delegation to authorise any expenditure that exceeds the aggregated budget amount for a program (capital) or line item (budget) in accordance with section 173(2),(3) and (4) of the LG Regulation. Council must however make a resolution about spending the money before, or as soon as practicable after the money is spent. If council undertakes a budget review after the budget is spent, the amended budget must include the money spent.

A genuine emergency or hardship is one where there is an absolute need to incur the expenditure before a resolution or amended budget can be adopted. This implies significant time pressure that makes it impossible to resolve to adopt a resolution or amended budget in time to address the emergency or hardship. An example of a genuine emergency may be a natural disaster where council needs to immediately incur expenditure to protect people or property and there is no budget to do this.

The timeframe for 'as soon as practicable after the money is spent', will depend on the circumstances and should be assessed on a case-by-case basis. A resolution should at the very least be sought at the next scheduled general meeting of council.

Unbudgeted expenditure

If unbudgeted expenditure is incurred that does not constitute a genuine emergency, a resolution authorising the expenditure must be obtained as soon as possible. Section 238 (1) and (2) of the LG Regulation, allows an officer who is a delegate (the Chief Executive Officer can delegate a power delegated by council under section 259 of the LG Act) to make, amend or discharge a contract (contractual action) for Council, but only if the expenditure because of the contractual action has been provided for in the approved annual budget.

If the unbudgeted expenditure relates to a contract entered by the officer acting as a delegate, the contractual action would be outside the scope of their delegation in accordance with section 238 of the LG Regulation and also outside Council's procurement policy. This may also be identified as an internal and external audit issue and, depending on the quantum of the unbudgeted expenditure, may be grounds for an investigation by the Department of State Development, Infrastructure, Local Government and Planning, and potential remedial action.

Section 110 of the LG Act outlines the responsibility of councillors for improper disbursements. If council spends money that is not provided for in the budget, is not for a genuine emergency or hardship, and is made without the approval of Council by resolution, Council must give the public notice of the disbursement in a locally circulating newspaper within fourteen days after the disbursement is made.

Councillors who knowingly agreed to the disbursement (for example, by being personally aware of the proposed disbursement and agreeing to it) are jointly and severally liable to pay council the amount of disbursement plus interest and penalties.

Electronic version current – uncontrolled copy valid only at time of printing

Adoption Date: 28 June 2023	Amended Date: 28 June 2023	Document Name: Budget Policy
Revokes: Budget Policy previously resolved by council on 30 June 2021	Review Date: 30 June 2024	Page 7 of 8

6.0 Definitions

- **CEO** shall mean the person appointed to the position of Chief Executive Officer under the Act and anyone acting in that position.
- **Council** refers to Central Highlands Regional Council.
- **The LG Act** shall mean the *Local Government Act 2009*.
- **The LG Regulation** shall mean the Local Government Regulation 2012.
- **Original Budget** shall mean the original budget for council for the financial year which was adopted under section 169 and 170 of the LG Regulation.
- **Department of Finance** shall be that department within council's hierarchy that has responsibility for the key functions related to budget preparation, presentation monitoring and adjustments.
- **Project Management Office** shall be that department within Council's hierarchy that has responsibility for the key functions related to capital budget preparation, presentation monitoring and adjustments.
- **Strategic Program Governance Group** will be the mechanism to manage and control the program of all projects in a coordinated way within Council through the responsibility of ensuring the strategic alignment and forward planning council and the monitoring and control of capital projects in council.
- **Long Term Financial Plan** shall mean a document that outlines Council's financial goals, strategies, and policies for a ten-year period.

Strategic Link	Local Government Act 2009 Local Government Regulation 2012
Category	Budgeting
Lead Business Unit	CFO Office
Public Consultation	No
Adoption Date	28 June 2023
New Review Due	30 June 2024
Document Number	1781597
Record Keeping	ECM, The Vine and Council Website
Related Documents	Corporate Plan 2022-2027 Asset Management Plan Application of Competition Policy

Electronic version current – uncontrolled copy valid only at time of printing		
Adoption Date: 28 June 2023	Amended Date: 28 June 2023	Document Name: Budget Policy
Revokes: Budget Policy previously resolved by council on 30 June 2021	Review Date: 30 June 2024	Page 8 of 8