

FINANCE

F 4.11 Budget Variation Reporting

<i>Responsible Department</i>	CEO Office
<i>Resolution Number</i>	C.4720
<i>Resolution Date</i>	19/04/2023
<i>Next Scheduled Review</i>	2025
<i>Related Shire Documents</i>	
<i>Related Legislation</i>	Local Government Act 1995, section 5.2

OBJECTIVE

To provide guidance to the Council and the Chief Executive Officer (CEO) concerning the treatment of budget variations.

SCOPE

The Policy applies across the organisation.

POLICY

1. Definitions

Annual Budget - Adopted each year in the form and manner prescribed, a budget for all revenue, expenditure, capital works and other income for the municipal fund, for the financial year ending on the 30 June. (section 6.2 Local Government Act 1995)

Budget Review - A review of the Annual Financial Year Budget, endorsed by Council and incorporating all known adjustments since adoption or prior budget reviews. For the purposes of reporting 'variations' in accordance with this policy a budget review will occur once in each financial year quarter.

Emergency Expenditure - Expenditure required to mitigate any risk related to:

- 1.1. Injury to a person
- 1.2. A natural disaster
- 1.3. Restoring or maintaining normal services to the Community

LGA s6.8 (1)(c) is authorised in advance by the mayor in an emergency.

LGA s6.8(2)(b) is to be reported to the next ordinary meeting of council.

COA – Chart of Account number, for example.

- 12382102 Streets, Carparks & Paths

Management Budget - The schedules that support the adopted annual budget forecasts.

Material Variance – for the purposes of Local Government (Financial Management) Regulations 1996 Section 34 (1) (d), are defined as being 10% or \$20,000 whichever is greater

Responsible Officer - Staff members responsible for budgetary control of any specific line item in the budget.

Service Area - A defined service delivery area in the Shire's organisational structure, for example.

1.4. Engineering Services Directorate

Statement of Financial Activity – as defined by Local Government (Financial Management) Regulations 1996 Section 34 (1).

Sub Program - A group of service areas within Shire's organisational structure, for example.

1.5. Construction of Streets, Roads, Bridges, Depots

1.6. Maintenance of Road, Bridges, Depots

1.7. Road Plant Purchases

Variation – any expenditure change of greater than \$10,000 per chart of account item, excluding internal allocation accounts (such as administration allocation, depreciation, public works overheads and plant operating costs)

2. Budget Variations

It is recognised the Annual Budget is an informed financial forecast and variations are to be expected as actual circumstances experienced may differ to initial estimates provided.

The intent of this Policy is to provide guidance towards amending the Shire's Annual Budget to accommodate variations which may arise in meeting administrative operations and the delivery of annual objectives. This includes the requirements for reporting budget amendments to Council.

Council recognises that the contents of this policy provides no limitation with reference to Section 6.8 of the Local Government Act 1995 – Expenditure from municipal fund not included in annual budget.

2.1. Variations in Expenditure (Operational) – Existing Line Item:

2.1.1. Accommodated within Sub Program

Where variations in expenditure may be accommodated within the overall budget for a sub program area, the responsible Executive Manager may authorise the re-direction of budget funds within that sub program area.

For example: The total operating expenditure budget for Maintenance of Roads, Bridges, Depots is \$4.3 million for a given financial year and there are multiple management budget line items (COA) to deliver the service. If maintaining gravel roads, in line with service standards, exceeds initial forecasts and operational savings exist or are identified within the overall road maintenance are, provided that the overall budget for the Maintenance of Roads, Bridges, Depots remains consistent with the adopted annual budget, the Executive Manager may approve a management budget amendment.

It is the relevant Executive Managers responsibility to ensure that the change in expenditure has a nil effect on the budget operating position and the administrative amendment is reflected in the next Budget Review for Council.

2.1.2. Not accommodated within a Sub Program Area

Where increases in expenditure are not accommodated within the sub-program area or the overall budget for a sub-program, and funds are required for that expenditure, those funds must be identified from other budget line either within the service area or from another service area. Any such re-direction of funds must maintain the budgeted operating position and requires the formal written approval of the Chief Executive Officer. It is the requesting Executive Managers responsibility to ensure that the change in expenditure is detailed within the next Budget Review for Council approval.

2.2. Variations in Expenditure (Capital) – Existing Line Item:

2.2.1. Accommodated within Program Area

Where variations in expenditure may be accommodated within the overall budget for a sub-program area, the responsible Executive Manager may authorise the re-direction of budget funds within the program area.

For example: The total capital expenditure budget for construction of Streets, Roads, Bridges, Depots (sub program) is \$7.7 million for a given financial year and there are multiple management budget line items (COA) to deliver the service. If construction of an individual road, in line with budget parameters of length, width and treatment type, exceeds initial forecasts and savings exist or are identified within the overall program area, provided that the overall budget for the construction of Streets, Roads, Bridges, Depots (sub program) remains consistent with the adopted annual budget, the Executive Manager may approve a management budget amendment.

It is the relevant Executive Managers responsibility to ensure that the change in expenditure has a nil effect on the budget financial position and the management amendment is reflected in the next Budget Review for Council.

2.2.2. Not Accommodated within Program Area

No capital variations can be approved if they are not able to be accommodated within the program area. Any such proposed variations must gain the prior approval of the Council, by formal resolution.

2.3. Variations in Revenue Budget Lines

Variations in budget line items resulting from increases or decreases in budgeted revenue should be included in the following Budget Review for formal amendment as well as being reported in the monthly financial report presented to Full Council. The materiality of the amount is to be considered. Shortfalls in actual revenue amounts against budget forecasts are to be met by reductions in operating expenditure. Additional revenues are to offset unexpected expenses defined in this Policy, to be addressed as part of a Budget Review or treated as surplus at year end.

2.4. Material variances

In accordance with section 34 (1) of the Local Government (Financial Management) Regulations 1996. Material variances will be reported monthly against the statement of financial activity.