



ESC – S005 Budget Policy

POLICY VERSION AND REVISION

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Policy Author		
Director of Corporate Services		
Current incumbent		
Renee Bester		
Implementation Officer		
Chief Executive Officer		
Current incumbent	Contact number	Official file no.
Louise Knol	4079 9090	ESC – S005



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1. BACKGROUND & CONTEXT

Council is a very large business providing many diverse and significant services to the community. It is important that guidelines are established to assist in providing rigor to its financial management. This includes guidelines to:

- Clarify limitations on the release of budgetary information prior to the formal adoption of the budget;
- Ensure that Council reports are presented in a fiscally responsible manner;
- Provide guidance in the preparation of the budget reviews;
- Ensure that required amendments to the budget are made in a timely manner;
- Ensure consistency with Council's Long Term Financial Forecast.

2. PURPOSE & SCOPE

This policy provides a framework for the administration of Etheridge Shire Council's ("ESC") budget and establishes guidelines to ensure that known variations to the budget are addressed in a timely manner.

This policy applies to all: -

1. Elected Members;
2. Council Staff who prepare and contribute to ESC's annual budget;
3. Officers who prepare reports to Council, as it provides a guide for the presentation of financial information in those reports.

This policy also sets out the Budget review process.

3. DEFINITIONS

For the purpose of this policy:

Council shall mean Etheridge Shire Council.

Adopted Budget shall mean the original budget for Etheridge Shire Council for the financial year including any amendments to the budget adopted by the local government under section 170 of the *Regulation*.

Corporate Plan shall mean a document adopted under section 166 of the *Regulation* that outlines Council's strategic direction over the following five (5) years.

Long-Term Financial Forecast shall mean a document that forecasts over a 10 year period: –
(a) *Council's income and expenditure; and*
(b) *The value of Council's assets, liabilities and equity.*

Operational Plan shall mean the document adopted under section 174 of the *Regulation* that outlines how Council will progress the implementation of the Corporate Plan during the immediate 12-months.

The Act shall mean the *Local Government Act 2009*.

The Regulation shall mean the *Local Government Regulation 2012*.

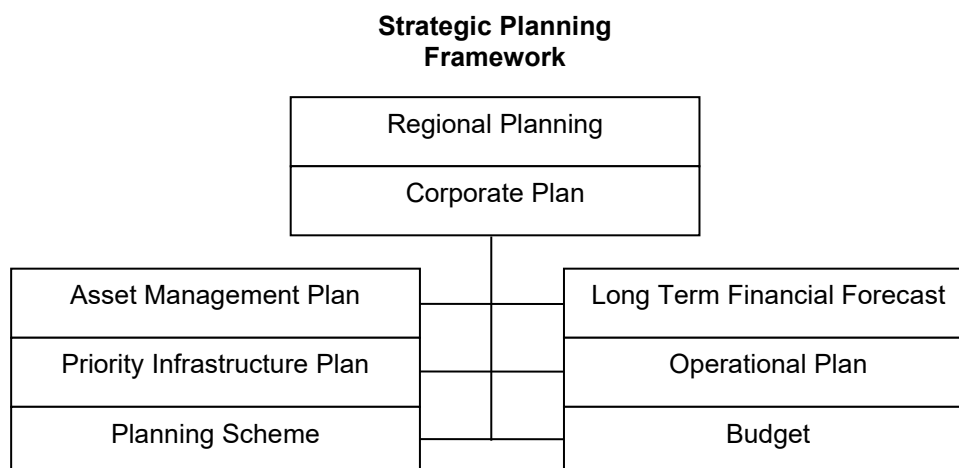
4. POLICY PROVISIONS

Etheridge Shire Council's budget cycle is aimed at addressing the need for:

- Long term financial planning;
- Detailed annual budgets supporting Council's operating plans and revenue decisions;
- Reviews to address progress against the annual operating plan; and
- Reviews to align the budget with actual results.



This is illustrated as follows:



4.1. COUNCIL REPORTS

The following principles are to be applied when compiling official Council meeting reports:

- (a) Recommendations that are presented to Council that have the effect of increasing expenditure or reducing income (if adopted) **MUST** indicate where alternative funding is to be sourced from.
- (b) No report should include a recommendation that “funds are to be identified at the next review” or that “the project be included in next year’s budget” (although the item may be **listed for consideration** in either the next review or the following year’s budget). Note: These two statements have the effect of committing Council to works that it may not be able to fund.
- (c) Where a recommendation states that the funds are to be allocated from various Reserve pools the report **MUST** include the current balance of the relevant account. This will enable Councillors to be fully informed prior to approving the allocation.
- (d) Only emergent projects/expenditure items should generally be incorporated into Budget Reviews. *Note: The overall intention for the Budget Reviews is to review performance and assess financial position.*
- (e) Where an item that has financial implication is raised in the General Business section at a Council Meeting, a report is to be presented to a future meeting so that possible funding can be identified before the recommendation is adopted.
- (f) The budget is a “project” budget. Where projects are completed under Budget, the funds are to be retained in consolidated revenue for those projects that may be over expended.

4.2. ANNUAL BUDGET CONSIDERATION

Throughout the financial year Council considers matters, which may result in a referral to future budget considerations. Where this occurs in an open Council meeting it becomes a matter of public knowledge. These matters must be consistent with Council’s Long Term Financial Forecast, when adopted.

During the lead up to the adoption of the original budget for a particular financial year, 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.



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 some instances, portions of the above information may normally (outside of the budget process) be used to answer enquiries or comments from members of the public. In recognition of the operational need to continue to respond to public enquiries/comment during the budget preparation, the Mayor and CEO (or CEO delegate) are authorised to exercise discretion in releasing information, which would otherwise be considered confidential under this policy.

4.3. BUDGET REVIEWS

It is recognised that (following the finalisation of the June financial statements) the actual opening balance may be either more favourable or less favourable than the estimate in the original budget. In the case that it is more favourable, priority will be given to transferring any surplus to appropriate reserves or to reduce the level of borrowings.

Budget review(s) are to be undertaken on a quarterly basis (Sep, Dec & Mar) at the following periods:

- First review immediately following close of accruals for the previous financial year;
- Six monthly reviews following the close of accounts in December;
- Nine monthly following the close of accounts in March

4.4. AMENDMENTS TO THE BUDGET

There are a number of budget amendments that may be required during the year. The process for handling various types of amendments is as follows:

Type of Amendment	Process
Increased / decreased expectation of revenue	Adjust at next review. Report to Council is required in relation to impacts on the Original Budget
Increase or reduction in the scope of a Council approved project (operating or capital)	Adjust at next review. Report to be prepared for Council at the next General Meeting for decision/endorsement, outlining if there is any financial/budget impact and adjusted at next review if required.
Incorrect classification of projects as either operational or capital nature or incorrect allocation which is for accounting purposes only (May have an effect on depreciation expenses)	Report to be prepared for Council at the next General Meeting for Council resolution
Information regarding additional grant funded projects and associated revenue and expenditure not allocated within the original budget	Report to be prepared for Council at the next General Meeting for endorsement and discussion around additional funding sources if required if the grant is not 100% funded. Adjust at next review

4.5. VARIATIONS

Etheridge Shire Council reserves the right to vary, replace or terminate this policy from time to time.

5. RELATED DOCUMENTS

- Corporate Plan
- Operational Plan
- Revenue Policy
- Revenue Statement
- Debt Policy
- Investment Policy
- Annual Budget