
Budget Development and Management Policy

Council Policy

May, 2019



Northern Grampians Shire Council
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Budget Development and Management Policy



Council Policy

Responsible director

Responsible officer

Functional area

Date adopted by Council

Review date

Director Corporate Services

Manager Financial Services

Financial Services

April 2019

April 2020

Purpose

The purpose of this policy is to set out the framework for the development and approval of the annual budget at the Northern Grampians Shire Council, and the circumstances in which Council would formally revise the budget.

The policy sets out principles to guide decision making, and will ensure that it is clear who is responsible for preparation and consideration of the annual budget and how performance against the adopted budget will be reported.

This policy document is supported by a number of operational and organisational documents which are designed to assist with the implementation of the policy.

Background

The Northern Grampians Shire Council is the custodian of significant community assets. These assets have an enormous impact on the delivery of programs, services and projects therefore it is crucial that they are well managed.

Preparation of a Council Plan is a critical component of Council's forward planning for service delivery and responsible financial management. It is a four year plan that outlines Council's objectives and strategies for implementation of its vision for the period of the plan.

An annual budget then provides a financial plan to implement the Council Plan for the year ahead which can be monitored to ensure that Council operates within its financial capacity and remains financially healthy.

Development and adoption of an annual budget and a strategic resource plan is required under the *Local Government Act 1989* (the Act). Progress reporting on performance against the adopted budget is also required under the Act.

Notwithstanding the requirements of the Act, it is critical that expected income and expenditure is assessed in order to understand the impact on Council's financial position and to enable effective management and monitoring of community funds.

Policy

Northern Grampians Shire Council is committed to:

- sound budget management practices
- open and transparent communication with the community in the development, presentation and reporting of financial information
- providing economically and socially sustainable services to the community.

Council will maintain a strategic approach to the delivery of services, capital works and projects to ensure that the budget enables the objectives and strategies of the *Council Plan 2013 – 2017* (the Plan).

Budgets will be developed by management based on agreed service levels as set by Council and will be presented to Council for consideration and adoption.

In Council's *Strategic Resource Plan*, contained within the Plan, a set of financial management principles have been adopted, providing key strategic directions to inform Council's financial decisions.

These principles will guide Council in the development of its annual budget and long term financial plans.

General Financial Principles

Sustainable Budgeting Principle

- Council will implement a sustainable financial strategy that:
 - caters for short and long term
 - factors in community expectations
 - is linked to the Council Plan
 - is committed to achieving an annual surplus to contribute to capital projects.

Cash Management Principle

- Council will manage cash to ensure sufficient levels to meet its requirements and will:
 - aim to maintain a minimum cash balance of 20% above the sum of current deposits and current interest bearing liabilities, plus the amount of reserve funds as determined appropriate
 - maintain sufficient cash to avoid overdraft interest.

Revenue Principles

Rates and Charges Revenue Principle

- Council will:
 - review rates annually following the announcement of the rate cap set by the Minister
 - consider making an application for a higher cap should there not be sufficient income to fund the:
 - Council Plan
 - Long Term Financial Plan
 - to meet current expenditure commitments.
- Differential rating should be applied as equitably as is practical and will comply with the *Ministerial Guidelines for Differential Rating*.

- Where it is possible to identify the direct benefit of a service, charges should reflect the cost of the service to help reduce rates subsidies.
- Council will consider pricing and contracts to deliver waste services that:
 - reduce waste to landfill
 - increase reuse of resources through recycling and avoidance initiatives
 - encourage community understanding of waste management
 - are in line with legislative requirements and best practices
 - are cost neutral through appropriate fees and charges and rating strategies.

User Fees Principle

- Council will set fees and charges having regard for:
 - pricing principles (profit, break even, subsidy)
 - marketplace competition
 - users capacity to pay
 - equity between services
 - community service benefit
 - benchmarking of similar services.
- Costs will include:
 - overheads
 - identification of service subsidy.
- Council will:
 - increase fees based on cost increases
 - consider pricing to encourage behaviour changes
 - advocate for statutory fees not governed by Council to be increased appropriately.

Grant Revenue Principle

- Council supports funding from other levels of government and will seek to maximise all appropriate external funding opportunities.
- Council opposes cost shifting, and where cost shifting occurs Council will communicate to its community the impact of these cost impositions.
- Council will only accept external funding if consistent with the Council Plan.
- Council will avoid distortion of priorities due to the availability of external funding.
- Funds received from other levels of government would be expected to meet full direct and indirect costs.
- Where Council chooses to subsidise a funded service the contribution should not outweigh the community benefit.

Borrowing Principle

- Borrowing will not be used to fund ongoing operations.
- Where possible debt will be increased only to the extent that:
 - the costs savings are realised from investment in capital
 - debt servicing costs are funded from future revenue streams.

- Borrowings are appropriate for funding large capital works where the benefits are provided to future generations.
- Council will maintain its debt at levels which are sustainable, with:
 - indebtedness <60% of rate and charges revenue
 - debt servicing cost <5% of total revenue (excluding capital revenue).

Asset Management Principles

Council will acquire and dispose of assets in the best interests of the community.

Asset Rationalisation Principle

- When disposals occur Council will ensure that:
 - there is clear Council or community need
 - a thorough community and financial assessment is undertaken
 - sales of property will not be used to fund operational expenditure.
- Council will ensure that regular review of asset rationalisation is conducted.

Asset Renewal Principle

- Council will provide well maintained community assets that are:
 - fit for purpose
 - provide best possible community benefit
 - within the financial capacity of the Council.
- Council will provide for ongoing asset maintenance and renewal for existing assets by:
 - basing maintenance and renewal on condition rating and interventions set by asset management strategies
 - anticipating and managing risks of asset failure
 - committing to increasing expenditure on renewal to sustainably manage assets
 - ensuring appropriate expenditure is provided for compliance and safety regulations.

New Asset Principle

- Council will ensure that community has access to infrastructure that meets its needs with regards to current and future needs.

Construction and acquisition of new assets must:

- remain within the limitation of Council's financial and resource capabilities
- provide clear tangible benefits
- consider both current and future generations
- consider asset substitution as a source of funding new assets
- consider consolidation of services where appropriate
- undertake financial analysis with regard to resultant additional operational maintenance and renewal costs.

Service Delivery Principles

Expenditure Review Principle

- Council will review levels of expenditure.
- Ongoing service reviews will assess service in accordance with:
 - a demonstrated community need
 - stakeholder views
 - access, equity of need and benefit to the community
 - community expectation of service level and quality
 - legislative imperatives
 - identification of alternative providers, both public and private
 - Council's capacity to provide the service
 - availability of Victorian or Australian Government funding
 - other budget priorities.

In addition to these principles, Council will consider private/public partnerships, shared services and collaborative projects where appropriate.

Monitoring and reporting

Council is committed to ensuring that community resources under its control are used for approved purposes and that all risks to Council's finances are properly managed.

Management is responsible for monitoring budgets on an ongoing basis. An annual carry forward report and comprehensive quarterly financial reports reviewing progress and performance compared to the adopted budget, including forecasted adjustments, will be reported to Council in line with the requirements of the Act.

Variations to the adopted budget that are unplanned and unavoidable will be reported to Council through the financial reports. Where a change of project scope results in a material financial implication Council will be briefed prior to the variation being reported.

Revised Budget

Under the Act Council must revise their budget if there are material circumstances affecting their financial operations and position.

Northern Grampians Shire Council will formally revise their budget if:

- there is a requirement to borrow more than estimated in the original budget, or
- there is a material difference (>10%) to rates and charges revenue to be raised.

Council Plan Objective/Strategy

Financial Sustainability Strategy - Implementing financial policies and services to support Council's operations and to meet reporting and accountability requirements

Legislation and Standards

Local Government Act 1989

Local Government (Finance & Reporting Regulations) 2004

Responsibilities

Council is responsible for setting service levels and adopting an annual budget that is financially responsible and aligns with the Plan.

The Chief Executive Officer is responsible for developing and presenting a budget that enables the objectives and strategies of the Plan and is based on the agreed service levels established by Council.

The Chief Executive Officer is responsible for monitoring and reporting progress against the adopted budget on an ongoing basis.

Stakeholders

Mayor, Councillors, Chief Executive Officer, all delegated purchasing officers and all other Council staff, temporary employees, contractors and consultants while engaged by Council, and the community.

Review

This policy will be reviewed annually as part of the budget process.

Communication and implementation

Northern Grampians Shire Council's website

References

Council Plan 2013-2017

Revenue and Rating Strategy

Annual Budget Timetable

Budget development procedure documents

Financial reporting procedures

Charter of Human Rights compliance

It is considered that this policy does not impact on any human rights identified in the *Charter of Human Rights & Responsibilities Act 2006*.

Definitions

Nil

Review history

Date	Review details	Action
February 2014	Policy developed	Presented to Council Briefing 24 March, 2014
April 2014	Policy adopted	Adopted by Council 7 April, 2014
29 February 2016	Annual review and amended	Minor housekeeping only - reported to Councillor Briefing
April 2017	Annual review and amended	Amendments to asset management to reflect Council's limited capacity to pay for infrastructure. Removal of Workforce Principles and some minor amendments
19 March 2018	Annual review, no amendment	Reported to Councillor Briefing and discussed during budget process
April 2019	Annual review, no amendment	Reported to Councillor Briefing and discussed during budget process