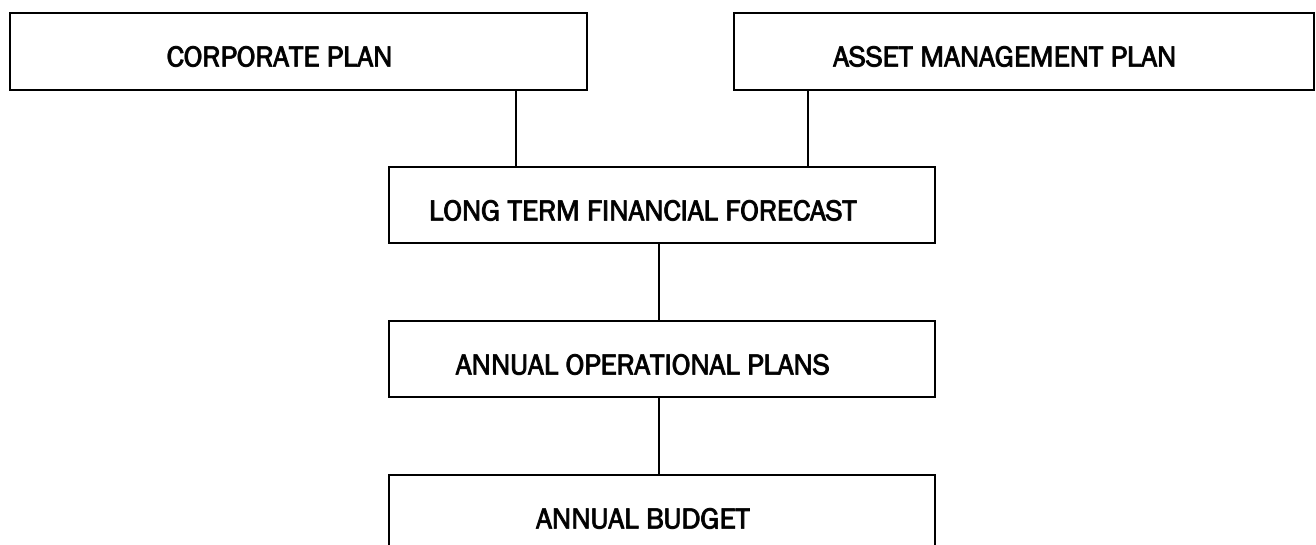


1. Policy Statement

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

- effective long term financial management
- 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.

The overarching policy framework is illustrated as follows:



2. Scope

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

3. Responsibility

The Chief Financial Officer is responsible for the implementation and maintenance of the requirements of this Policy.

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4. Definitions

To assist in interpretation the following definitions shall apply:

Council shall mean Hinchinbrook Shire Council.

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

The Act shall mean *Local Government Act 2009*.

The Regulation shall mean *Local Government Regulation 2012*

Long-Term Financial Forecast shall mean a document that –

- (a) contains a forecast of income and expenditure and the value of assets, liabilities and equity for each year during the period of the forecast.
- (b) states the relevant measures of financial sustainability for the period of the forecast.
- (c) covers a period of at least 10 years and is reviewed annually.

Corporate Plan shall mean a document that outlines the local government's objectives, and the nature and scope of the activities proposed to be carried out.

Asset Management Plan shall mean a document, or series of documents, that outlines the local government's plan for managing its infrastructure and other assets to deliver its planned level of service.

5. Background

Council is a large enterprise providing a wide range of services, many of them significant, to all parts of the community. It is important that guidelines are established to assist in providing financial rigour to these activities. 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 and Long Term Asset Management Plans

6. Policy

6.1 Council Meeting Reports

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

- (a) Recommendations 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 is to 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) circumstances may arise that require a ‘reserve pool’ to be established for a specific purpose. Where a recommendation states that funds are to be allocated from a reserve pool, the report **MUST** include the current balance of the relevant reserve. This will enable Councillors to be fully informed prior to approving the allocation.
- (d) where an item that has a 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.
- (e) the capital budget is a “project” budget. Each member of the Executive Team is required to include, in their monthly reporting to Council, a summary of the status of each of their capital projects. Each status is to include a comparison of allocated budget, year to date expenditure and full year forecast expenditure. The Executive Team can transfer ‘underspends’ on one capital project to other approved capital projects but they can not use underspends to fund new capital projects.

6.2 Annual Budget Consideration

Throughout a financial year Council may consider 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 annual 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. This includes information pertaining to Council’s commercial and general activities.

In the case of commercial activities, the disclosure of detailed pricing and expenditure information may be potentially detrimental to Council’s competitive position. Consequently such information is to be treated as confidential. Commercial activities include those activities

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defined as significant business activities in accordance with section 19 of the *Local Government Regulation 2012*.

While there are no commercial considerations within Council's current general activities, the premature release of financial information being considered as part of budget deliberations may cause conjecture on the likely outcomes. The subtlety between information presented to Councillors to assist them with decision making and the intent of Council after considering all information, may be lost in public disclosure. In order to prevent misleading information in the media or unfounded public conjecture, it is therefore necessary to control the public release of information prior to 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 some instances portions of the above information may normally (outside of the budget process) be used to answer inquiries or comments from members of the public. In recognition of the operational need to continue to respond to public inquiries/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.

6.3 Budget Reviews: Key Statements and Key Principles

Overview: Key Statements in the Approved Budget

Three main types of financial report may be included in the Approved Budget report:

1. Long Term Financial Forecast
2. Key Operating Statements (eg Statement of Income and Expenditure, Statement of Financial Position, Cash Flow Statement and Statement of Changes in Equity)
3. Capital Projects
4. Where appropriate, activities to which the Code of Competitive Conduct apply

For the purposes of this section, these financial reports are collectively referred to as the "Key Budget Financial Reports".

The Budgeted Statement of Income and Expenditure for the new financial year should be similar to the figures contained (for that particular year) in the prior year's Long Term Financial Forecast. Accordingly, a good starting position for the development of a Budget for any particular year is the previous year's Long Term Financial Forecast.

With regards to the Key Operating Statements, it should be recognized that:

- the Statement of Income and Expenditure drives the movements in the other Operating Statements and
- most officers, in discharging their day to day fiscal responsibilities, are only concerned with the Statement of Income and Expenditure

The Statement of Income and Expenditure generally comprises:

- a list of key recurrent Operating Income and Expenditure categories and their respective Budgets
(The difference between these two budget categories is the “*Operating Surplus/Deficit*”)
- Other Income and Expenditure (usually associated with Capital activity, non recurrent activity and/or NDRRA activity)
(When added/subtracted to/from the *Operating Surplus/Deficit*, this determines the budgeted “*Net Surplus/Deficit*” for the year)

Budget Reviews

Each Annual Budget is scheduled to be approved before the start of the financial year to which it relates.

During each financial year, after the year’s Budget has been approved, conditions may change that give rise to new budget items being required and/or existing budget items need to be reviewed and amended. Only emergent projects/expenditure items should generally be incorporated into Budget amendments.

Any budget change that results in a Total or Sub Total on the Statement of Income and Expenditure changing requires Council approval. Where such change results in a significant change to any of the Key Budget Financial Reports, the Report to Council requesting the change must be supported by amended versions of the Key Budget Financial Reports.

At least one mid-year Budget Review will usually be conducted during each year, resulting in a full report to Council. This report may include new budget items and if so, will be accompanied by amended Key Budget Financial Reports. *Note: The overall intention for the Budget Reviews is to review performance and assess financial position.*

Opening Balances and Carry Forwards

A key element of each year’s Budget is the budgeted *Opening Bank Balance*. As each year’s Budget is typically prepared before the end of the preceding financial year, the budgeted Opening Bank Balance is based on several key assumptions and estimates – most notably expenditure on capital projects, payment of certain significant operational activities, the receipt of significant grants and NDRRA related income and expenditure. **Where the payment and/or receipt of these items is deferred from one financial year to the next, Council is no worse off.** However, in these circumstances the Approved Budget may require amending to incorporate the required ‘carry forwards’.

As a result of this, within the first quarter of each new financial year, a report will be provided to Council that reconciles the ‘*actual opening bank balance*’ to the ‘*budgeted opening bank balance*’ and summarises the prior year budget items that caused the difference and which need to be carried into the new financial year. This report will be accompanied by an amended Long Term Financial Forecast and Statement of Income and Expenditure as necessary.

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Budgets that are allocated to operating activities can only be carried forward from one year to the next if they are specifically identified during the budget process. Such budgets are not automatically carried forward.

Similarly, where income is received for a specific project in one year but not fully expended at year end, the officer responsible for the project needs to make sure the unspent income is identified during the budget process as an item required to be carried over to the next financial year. Unspent income is not automatically included in the subsequent year's budget.


7. Legal Parameters

Local Government Act 2009

Local Government Regulation 2012

8. Associated Documents

Annual Budget

DOCUMENT HISTORY AND STATUS						
Action		Name		Position	Signed	Date
Approved by Acting CEO		R Ferguson		Acting CEO		12/07/2018
Policy Version	02	Initial Version Adopted	30/06/2015	Current Version Adopted		12/07/2018
Maintained by		Corporate Services		Next Review Date:		30/06/2019
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