



Budget Variation Policy

Responsible Officer	Adoption Date	June 2021
Manager Finance	Approved By	Council
Authorising Officer	Review Date	June 2025
Chief Executive Officer	Policy Type	Council Policy

Statement and Purpose

This policy sets out the circumstances in which a budget variation is required to be approved by Council or Council officers. The purpose of this policy is to provide clear direction on the authority of Council or Council officers to approved budget variations.

Scope

This policy applies to all Councillors, Council employees and agents of Council.

Council approval must be sought and obtained before commitments are made that would result in activity outside of the budget limits, subject to the operation of this policy.

Council should be made aware of the financial success of any significant project, and of any material over-expenditure or reduction in revenue.

Policy

Council will adopt a quarterly budget report in accordance with section 97 of the Local Government Act 2020 (“the Act”) as soon as practicable after the end of each quarter. The quarterly budget report will include:

- A comparison of the actual and budgeted results to date;
- An explanation of any material variations; and
- A Forecast for the financial year.

The Forecast states Council's actual expectations for results for the financial year. The Forecast reflects changes from the Budget and is the most reliable estimate of Council's financial performance for a year. Typically, the Forecast is prepared based on:

- Forecast 1: 3 months Actual + 9 months Forecast;
- Forecast 2: 6 months Actual + 6 months Forecast;
- Forecast 3: 9 months Actual + 3 months Forecast; and
- Forecast 4: 11 months Actual + 1 month Forecast (reported as part of the following years' annual budget).

In addition to the Forecast adopted by Council quarterly, Council officers maintain a continuous Forecast which allows for changes monthly.

Council Officers must refer **all** budget savings to the monthly Forecast review to ensure that this policy can operate as intended.

Council Officers must refer all requests for funds for un-budgeted service delivery to the Finance Manager. The Finance Manager will report all requests to the Corporate Management Team for their consideration.

The process for handling various types of budget variation is as follows:

Type of variation – operating budgets	Officer approval	Council approval
Changes to expenditure or revenue from budgeted service delivery	Director	Included in quarterly budget review Forecast
Inclusion of additional grant funded projects and associated revenue and expenditure	Corporate Management Team	
Deferral, removal or material change to budgeted service delivery	Corporate Management Team	
Reclassification of capital expenditure to operating expenditure or vice versa for budgeted service delivery	Finance Manager	
Type of variation – capital works expenditure	Less than or equal to \$50,000 total change	Greater than \$50,000
Transfers between capital projects of the same Asset Class or Program where no change in scope of project(s) exists	Director	Chief Executive Officer discretion
Transfers between capital projects of different Expenditure Types	Corporate Management Team	

where no change in scope of project(s) exists		
Increase in cost of a capital project, where transfers between Asset Class, Program or Expenditure type are not available	Chief Executive Officer	Council
New capital projects, or removal/deferral of capital projects	Corporate Management Team	Council
Change in the scope of a Council approved capital project Scope changes would include changes to design of the project, but is not intended to capture contract variations caused by provisional sum amounts.	Corporate Management Team Consideration should be given to reporting to Council if there are other material non-monetary impacts (e.g. risks, reputation, community impact)	Report to Council at earliest opportunity or within quarterly budget review Forecast.

Table 1

The power to approve the fillings of vacancies or the creation, reclassification or abolition of positions with budget is retained by the CEO in accordance with the Instrument of sub-delegation. The above budget variations and associated Officer approval thresholds do not override the powers retained by the CEO.

Where expenditure against a project included in Council's budget will exceed the estimated expenditure by \$5,000 or less no budget variation is required and no approval is required in accordance with the above tables. Any changes are required to be reflected in the monthly Forecast.

Exemption – Emergency circumstances

Where circumstances so warrant (e.g. for reasons of urgent necessity or emergency) the Chief Executive Officer may authorise variations in activity that are not within the scope of approved limits for budget items, providing that variations made do not:

1. In aggregate, materially exceed threshold value limits for that function / activity outlined in the budget; and
2. Materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended to the original allocation.

Whenever such changes are made, the next quarterly budget report and Forecast shall include the variations and an explanation and rationale for the decision.

It is expected that this power would be exercised in only limited circumstances and is intended to operate in similar circumstances to the Procurement Policy exemption for emergency scenarios.

Breaches

Breaches of this policy may lead to disciplinary action in accordance with Council's Enterprise Agreement.

Monitoring and evaluation

Budget variations will be presented to Council in the Forecast in the quarterly budget report. Further, Councillors will be briefed on material changes to the Forecast monthly.

Definitions

Asset	A resource controlled by Council from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment which are non-current assets with a life greater than 12 months and enable services to be provided
Asset Class	A grouping of assets of a similar nature and use. The following are examples of separate asset classes: (i) land; (ii) buildings; (iii) plant and equipment; (iv) roads; (v) bridges; (vi) drainage. Council's Asset Classes are identified in the Financial Statements
Budget	Adopted by Council for a financial year under section 94 of the Local Government Act 2020. The Budget is a short term plan that identifies and describes the resources required to fund Council's services and initiatives over the next 12 months. The Budget is adopted by 30 June each financial year
Budgeted service delivery	Means the services and initiatives identified in the Budget (or Forecast, as amended) and documented in the Budget workpapers
Capital project	Work on an individual asset or group of assets that will result in the creation, upgrade or renewal of an asset or assets. A capital project includes renewal expenditure, upgrade expenditure and expansion expenditure as well as new expenditure

Corporate Management Team	Means the leadership team comprising the Chief Executive Officer and each of the Directors
Director	Means the following one of the following positions, Director Corporate Services, Director Infrastructure Services, Director Development Services and Director Community Wellbeing
Expansion expenditure	Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users. Expansion expenditure may include items such as extending a drainage or road network, the provision of an oval or park in a new suburb for new residents
Expenditure type	Means the following types of asset expenditure, Expansion expenditure, New expenditure, Renewal Expenditure and Upgrade Expenditure
Forecast	Adopted by Council quarterly. The Forecast states Council's actual expectations for results for the financial year. The Forecast reflects changes from the Budget and is the most reliable estimate of Council's financial performance for a year
Material	A material change to budgeted service delivery in Table 1 should be measured based on objective qualitative measures. Where appropriate, a quantitative assessment can be performed and should be based on a change to the scope of the service where the change/variance is greater than \$20,000 or 10% of the budgeted service delivery.
New expenditure	Expenditure which creates a new asset providing a new service/output that does not currently exist
Program	A group of related projects that is managed in a coordinated way to obtain benefits not available from managing the projects individually. Programs could include items such as (i) CBD Masterplan, (ii) North West growth area etc

Renewal expenditure	Expenditure on an existing asset or on replacing an existing asset which returns the service capability of the asset up to that which it had originally. As it reinstates existing service potential, it may reduce future operations and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval
Scope	Is the specific project objectives, deliverables, features, functions, tasks, deadlines and costs associated with the work that must be done to deliver a project
Upgrade expenditure	Expenditure which enhances an existing asset to provide a higher level of service. Upgrade expenditure may include items such as widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility

References

Legislation

- Local Government Act 2020

Internal policies

- Instruments of Delegation, as varied from time to time
- Project Management Policy

Review

Any change or update which materially impacts and/or alters this policy must be approved by the Chief Executive Officer. Otherwise the policy will be reviewed by the Manager Finance every four years.