



POLICY			
TITLE:	BUDGET VARIATIONS	CODE:	FM.06
PURPOSE or OBJECTIVE:	To detail financial reporting and approval actions required by staff when budget variations are expected within the City's Annual Budget.		
REFERENCE DOCUMENTS:	Local Government Act 1995		

POLICY STATEMENT
To manage variations in budget line items resulting from increases or decreases in budgeted revenues and expenditures, and define actions required.

1. Scope

This policy applies to Council and the City.

2. Definitions

<i>Emergency Expenditure</i>	Expenditure required to mitigate any risk related to: <ul style="list-style-type: none"> • Injury to a person • A natural disaster • Restoring or maintaining normal services to the Community <p><i>LGA s6.8 (1)(c) is authorised in advance by the mayor in an emergency.</i></p> <p><i>LGA s6.8(2)(b) is to be reported to the next ordinary meeting of council.</i></p>
<i>Business Unit</i>	A defined service delivery area in the City's organisational structure.
<i>Sub-program</i>	A group of business units within City's organisational structure.
<i>Program</i>	A group of sub-programs within the City's organisational structure.
<i>Budget Review</i>	A review of the Annual Financial Year Budget, endorsed by Council and incorporating all known adjustments since adoption or prior budget reviews.
<i>Responsible Officer</i>	Staff members responsible for budgetary control of any specific line item in the budget.
<i>Annual Budget</i>	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. (<i>section 6.2 Local Government Act 1995</i>)
<i>Management Budget</i>	The schedules that support the adopted annual budget forecasts.

3. 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 City'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.

3.1 Variations in Expenditure (Operational) – Existing Line Item:

(a) Accommodated within a Business Unit:

Where variations in expenditure may be accommodated within the overall budget for a Business Unit, the responsible Director may authorise the re-direction of budget funds within the Business Unit.

For example: The total budget for Library operating expenditure is \$3.5 million for a given financial year. There are multiple management budget line items to deliver the service. If book losses exceed initial forecasts at one library and operational savings exist at another library, provided that the overall budget for the Library Business Unit remains the consistent with the adopted annual budget, the Director may approve a management budget amendment.

It is the relevant Director's 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.

(b) Not accommodated within a Business Unit:

Where increases in expenditure are not accommodated within the Business Unit 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 Program or from another Program. Any such re-direction of funds must maintain the budgeted operating position and requires the approval of the relevant Executive Directors. It is the relevant Director's responsibility to ensure that the change in expenditure is detailed within the next Budget Review for Council approval.

3.2 Variations in Expenditure (Capital) – Existing Line Item:

(a) Accommodated within a Business Unit:

Where increases in expenditure may be accommodated within the overall budget for a Business Unit, the approval of the Director responsible for the Business Unit is required to re-direct the funds within the Business Unit.

For example: The total for a given financial year budget for paths construction is \$1.1 million. Within that budget are 15 paths to be completed, each with its own budget amount. If one path project is going to exceed budget and another is going to be under budget, provided that the overall budget for paths remains within \$1.1 million, the Director may approve a budget amendment.

It is the relevant Director's responsibility to ensure that the change in expenditure has a nil effect on the budget capital expenditure position and the administrative amendment is reflected in the next Budget Review for Council approval.

(b) Not accommodated within a Business Unit:

Where increases in expenditure are not accommodated within the overall budget for a Business Unit and funds are required for that expenditure, funding must be identified from other budget line(s) either within the Program or another Program. A re-direction of funds from operating to capital is allowed and the budget amendment requires the approval of the relevant Directors. It is the relevant Director's responsibility to ensure that the change in expenditure is detailed within the next Budget Review for Council approval.

3.3 Increases in Expenditure – New Line Item

(a) Non-emergency Expenditure:

Where it is proposed to expend funds on a new budget item (i.e. an item that is not in the adopted Annual Budget) any new item must first be endorsed by the Chief Executive Officer. Council approval must be obtained prior to any expenditure being incurred. Council approval may be given through the next Budget Review or at any Council Meeting (Financial Management) Regulation 33A).

(b) Emergency Expenditure:

Where it is necessary to expend funds in an emergency recovery situation, including hazards as defined in the *Emergency Management Act 2005* i.e. a cyclone, earthquake, flood, storm, tsunami or other natural event any other event, situation or condition that is capable of causing or resulting in:

- (i) loss of life, prejudice to the safety, or harm to the health, of persons or animals;
or
- (ii) destruction of, or damage to, property or any part of the environment,

Mayoral approval on recommendation of the Chief Executive Officer must be given prior to any expenditure being made. Council ratification must then be sought at the next Ordinary Council Meeting (OCM) or at an earlier Special Council Meeting (SCM) (*Local Government Act 1995* s6.8 (1c) (2b)). The funding source for any new expenditure must be identified in the agenda item or Budget Review. Funding sources may be:

- A grant or contribution from relevant sources if available
- Sourced from reserves
- Transfer from existing budget line / surplus

(c) High Risk Variation from Budget:

When there is a variation from Budget that is high risk (legally, politically or financially) it must be referred immediately to the Chief Executive Officer and taken to Council either at the next Ordinary Council Meeting, a Special Council Meeting or as part of the next Budget Review.

3.4 Variations in Revenue Budget Lines:

Variations in budget line items resulting from increases or decreases in budgeted revenue should be included in the next Budget Review. 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 at s 3.3 of this Policy, to be addressed as part of a Budget Review or treated as surplus at year end.

GOVERNANCE REFERENCES

Statutory Compliance	<i>Local Government Act 1995</i>
Process Links	

POLICY ADMINISTRATION

Program	Officer Title	Authority to Approve	
Canning Community & Commercial	Director Canning Community & Commercial	Council	
Version	Decision Reference	Synopsis	Delegation No
1	June 2015	New Policy	N/A
2	SCM 1 July 2015 (CR-042-15)	Adopted	
3	OCM 21/6/2016 (CR-021-16)	Revised Policy Adopted	
4	A&RC	Revised Policy Recommended	
5	OCM 19/02/19	Adopted	

