



CP 2.6 | Budget Variations

Objective

The objective of this policy is to provide guidance on the approved circumstances in which the Annual Budget may be amended to accommodate variations arising from delivery of services and projects. It also provides direction on the approval processes associated with such amendments.

Scope

This policy applies to General Managers, Project Managers, Alliance Managers and other senior officers with delegated purchasing authority.

Policy statement

The Annual Budget is an informed financial forecast of the anticipated revenues and expenditures arising from the City's operations over the year. As such, it is reasonably expected that some variations will occur between those forecasts and the actual financial outcomes. These differences may arise from cost savings, change of project scope, release of project contingency, changed economic conditions, receipt of unanticipated revenues or unanticipated costs.

The variations may be either favourable or unfavourable - and it is important that the budget is dynamically managed so that Council maintains an informed perspective on the City's financial position.

1 Materiality of Budget Variations

Materiality thresholds for the CEO or General Manager discretion applying to in Clauses 3 to 7 of this policy are:

Variation Type	Limit
Operating Expense	Less than \$50K per line item (GM) / Less than \$100K (CEO)
Capital Project	The lesser of \$50K (GM) / \$100K (CEO) or 10% project value
Capital Program	Less than 10% of Program Category (eg: Roads, Paths)
Transfer from Capital to Operating (or Operating to Capital)	Less than \$50K (GM) / \$100K (CEO) unless required for accounting disclosure (unlimited)
Transfer to / from Reserves	\$0



2 Variations in Existing Line Items versus New Budget Items

For the purposes of this policy, there is an important distinction between variations to an existing budget item and variations for an 'additional purpose'. Where an existing budget has been approved for a specific project, function or service; administrative approval from the CEO or relevant General Manager or Chief Financial Officer may be given to vary the line item within the Sub Service - providing that the total approved budget for the Sub Service is not exceeded. The administrative approval is to be subsequently ratified by Council in the next month's management accounts to be adopted by Council.

However, where no line item exists for the specific project, function or service, then any expenditure is considered an 'additional purpose' and requires Council approval before committing the funds.

3 Variation in Operational Expenditure - Existing Line Item

(a) Can be accommodated within the same Sub Service

Where variations to operating expenditure up to, but not exceeding the materiality threshold, may be accommodated within the overall budget for a specific Sub Service, the responsible General Manager may approve the re-direction of funds within the Sub Service.

The General Manager has responsibility to ensure that the change has a nil effect on overall expenditure and that the relevant Strategic Finance business partner is informed in writing in a timely manner of the change - so that the administrative amendment can be reflected in the next month's management accounts to be adopted by Council.

(b) Cannot be accommodated within the same Sub Service

Where variations to operating expenditure up to, but not exceeding the materiality threshold, cannot be accommodated within the overall budget for a specific Sub Service, but can be offset elsewhere within the same Service Unit, the responsible General Manager may approve the re-direction of funds within the Sub Service.

The General Manager has responsibility to ensure that the change has a nil effect on overall expenditure and that the relevant Strategic Finance business partner is informed in writing in a timely manner of the change - so that the administrative amendment can be reflected in the next month's management accounts to be adopted by Council.

If the variation exceeds the materiality threshold, it must be reported to Council to seek approval before it can be actioned.

4 Variation in Capital Expenditure - Existing Line Item

(a) Can be accommodated within the same Capital Budget Program

Where variations within an adopted Capital Budget Program (eg: roads, paths) can be accommodated within the overall program category budget, the responsible General Manager may approve the re-distribution of program funds to projects within the program category if within the materiality threshold.



The General Manager has responsibility to ensure that the change has a nil effect on overall expenditure and that the relevant Strategic Finance business partner is informed in writing in a timely manner of the change - so that the administrative amendment can be reflected in the next month's management accounts to be adopted by Council.

(b) Capital Project Variance can be accommodated and is within the Materiality Threshold

Where variations to a specific capital expenditure project is up to, but not exceeding the materiality threshold, and can be accommodated within the overall Capital Project Budget by offsetting elsewhere within the same Capital Program, the responsible General Manager may approve the re-direction of funds within the program.

The General Manager has responsibility to ensure that the change has a nil effect on overall expenditure and that the relevant Strategic Finance business partner is informed in writing in a timely manner of the change - so that the administrative amendment can be reflected in the next month's management accounts to be adopted by Council.

If the variation exceeds the materiality threshold, it must be reported to Council to seek approval before it can be actioned.

5 Variation in Revenue Budget - Existing Line Item

Material variances in budgeted revenue line items resulting from gains or shortfalls against budget expectations should be brought to account in the next scheduled Budget Review. Materiality of the revenue budget variation should be considered. If a downwards revenue variation crystallises, then offsetting expenditure reductions should be identified in the relevant Sub Service where possible.

6 Variation for New Expenditure Item

Where it is proposed to expend funds on a new capital budget item (an item that is not in the adopted Budget or approved budget amendments), the proposal is, in the first instance, to be brought to the attention of the Chief Financial Officer for consideration of its financial viability.

If favourably considered, a report is then to be submitted to Council for consideration of the proposed budget amendment.

7 Variation for New Revenue Item

If the revenue budget variation relates to the receipt of previously unbudgeted grant revenues or contributions, then a separate report should be prepared for consideration by Council acknowledging the income and any additional expenditure arising as a consequence of receipt of those funds. A similar reporting treatment is required if the grant funding must be 'matched' by City funds.



8 Funding Source Priority for New Expenditure

Any proposal for a new expenditure must be accompanied by a proposed funding source. That funding source, in order of priority may be from a(n):

- Reduction in expenditure in the Service Unit requiring the expenditure variation
- Recognition of new fees resulting from the expenditure
- Recognition of additional grant revenue within the Alliance
- Reduction in expenditure elsewhere in the Alliance requiring the expenditure variation
- Reduction of expenditure elsewhere in the City
- Sourced from a relevant Cash Backed Reserve - only in consultation with the Chief Financial Officer
- Adjustment to the Projected Budget Surplus - only in consultation with the Chief Financial Officer

9 Funding Source Priority for Material Revenue Reduction

Any recognition of a material reduction in a revenue line item needs to be supported by an offsetting funding source. That funding source may be from a:

- Reduction in expenditure in the Service Unit requiring the expenditure variation
- Reduction in expenditure elsewhere in the Alliance requiring the expenditure variation
- Reduction of expenditure elsewhere in the City
- Adjustment to the Projected Budget Surplus - only in consultation with the Chief Financial Officer

10 Notices of Motion

Where a Notice of Motion, that is likely to have financial implications if adopted, is to be presented at a Council meeting, the proposed Notice of Motion is to identify the source of funding for the resultant budget variation.

The Chief Financial Officer, in conjunction with the relevant General Manager will assist in identifying the funding source and drafting the financial narrative in the notice.

11 Council Report Required

A report seeking Council approval for a budget variation is required before funds are committed in the following circumstances:

- The budget variation on an Operating Expense is greater than the materiality threshold (if urgent, otherwise it should be addressed in a scheduled Budget Review)
- The budget variation on an individual Capital Project is greater than 10% of the project budget or the materiality threshold amount.
- The variation on a Capital Program Category is greater than 10% of the Program Category budget.
- The budget variation transfers Capital Expense to Operating Expense.
- The variation relates to unbudgeted Revenues and will require offsetting or matching expenditure.
- The budget variation applies to new expenditure for an additional purpose.

Funds should not be committed until Council approval for the budget variation is received.



12 Budget Review Timetable

Council has a statutory obligation to conduct a budget review after the finalisation of the December month end management accounts - and to recognise any material crystallised variances between budget and actual at that time.

Council acknowledges the importance of the statutory budget review that brings to account variances between budgeted and actual revenues and costs to date as well as the difference between the actual and budgeted opening position.

The City also recognises the potential for other deviations between budgeted and actual performance that may arise over the course of the year. These may relate to new or emerging funding opportunities, synergies with other projects, changed accounting treatments or recently identified community priorities. To ensure that the City exercises dynamic treasury management, it **may** undertake the following budget reviews over the course of each financial year.

Review Type	Timing	Purpose & Scope
1 st Quarter Capital Review	After Sep (P3) Mgt Accounts	Council adoption - November. Identify realised savings or released contingencies. Re-prioritise capital priorities or return funds to Reserves.
Statutory Budget Review	After Dec (P6) Mgt Accounts	Council adoption - February. Adjust Budget Opening Position after audit. Recognise crystallised operating expenditure or revenue variances if material. Minor new operational funding - ideally sourced from within same Alliance budget.
2 nd Quarter Capital Review	After Dec (P6) Mgt Accounts	Council adoption - February. Identify realised savings or released contingencies. Re-prioritise capital priorities or return funds to Reserves.
3 rd Quarter Budget Review	After Mar (P9) Mgt Accounts	Council adoption - May. Recognise crystallised operating expenditure or revenue variances if material. Minor new operational funding - ideally sourced from within same Alliance budget. Flag indicative Carry Forward Works.
Ad-Hoc Budget Adjustment	When required	Council adoption in relevant month. Only for adjustments that relate specifically to an individual Council report item to re-deploy previously allocated budget, recognise new funding or accommodate a change of scope or new expenditure.



Document control

Policy context

Legislation, standards & external guidelines	Local Government Act 1995 – Section 6.8(1) & (2)
Policies and procedures	Related Policy 2.3 – Strategic Financial Planning & Budgeting
Strategies, plans and frameworks	

Document custodian

Alliance	Corporate Services Alliance	Service unit	Finance
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Review management

Next review due	August 2026	Document management ref.	EDRMS-1336483316-835
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Document management

Version	Adopted by	Adoption date	Synopsis of changes
1.0	Ordinary Council Meeting	23 February 2021	Initial policy submitted for approval
2.0	Ordinary Council Meeting	29 August 2023	Amended policy considered by Council