

Budget Management Policy

Purpose

In accordance with the Local Government Act 1993, Councils are required to follow principles of sound financial management. Riverina Water must ensure its spending is responsible and sustainable, investment in infrastructure for the benefit of the local community is responsible and sustainable, effective financial and asset management is implemented, and consideration is given to achieving intergenerational equity.

This policy provides clear direction to management, staff and the Board in relation to Riverina Water's budgeting function. It sets out the principles that underpin the decision-making process and Riverina Water's commitment to transparency and openness with respect to the allocation of resources each financial year.

Scope

This policy provides clear direction to management and staff in relation to budgeting principles, budget adoption and variation processes, and responsibilities for reporting performance against Riverina Water's adopted budget.

Definitions

Budget Tool for planning the most effective and efficient use of resources of an entity in ensuring that its day-to-day operations are directed towards its long term goals.

Budget Variance Difference between a budget projection and an actual result.

Budget Variation Request (BVR) Formal request form to vary the budget.

Carryover Committed approved budget that is approved by Board resolution to be carried over to the next financial year.

Manex Managers and Executive leadership group.

Quarterly Budget Review (QBR)	A quarterly report to the Board which details actual financial performance against budget and revises the budget for the remainder of the year.
Revote	Uncommitted approved budget that is approved by Board resolution to be revoted to the next financial year

Budget Development Principles

The following principles underpin the development of the Annual Operational Plan & Budget and budget reviews:

- Realistic budgeting – all budget figures will be realistic and based on the best available information.
- Financial sustainability – the budget will be developed in alignment with the Long-Term Financial Plan, towards achieving Riverina Water's policy targets of financial sustainability and operating result that is positive or breakeven.
- Evaluate new initiatives – all new projects and capital works programs will be evaluated in terms of meeting Riverina Water's strategic directions and incorporate a cost benefit analysis which includes whole of life costing.
- Legislative compliance – The Operational Plan & Budget and budget reviews will comply with all relevant legislative requirements.

Overall responsibility for planning and day-to-day coordination of the budget process resides in the Finance & Sourcing area, principally with the Manager Finance & Sourcing.

The proposed budget is incorporated into the draft Long Term Financial Plan and submitted to the Board for approval to place on public exhibition.

Budget Adoption

The original annual budget is adopted by the Board following public exhibition and prior to the commencement of the financial year, through the adoption of the Delivery Program and Operational Plan. The adopted budget is incorporated into the Long Term Financial Plan.

Variations to the original budget are then made for carryover and revote of unexpended capital budgets, and Quarterly Budget Review variations prepared as at 30 September, 31 December and 31 March to ensure the budget remains aligned to revised operational

results. These variations are incorporated into the Long Term Financial Plan as part of the Quarterly Budget Review process.

Carryover and Revote of Unexpended Budgets

Carryover budgets are committed approved budget that is approved by Board resolution to be carried over to the next financial year.

Revotes are uncommitted approved budget that is approved by Board resolution to be revoted to the next financial year.

Operating Budget –

- Unexpended budgets are not to be carried forward from one financial year to the next. Identifiable projects that will not commence in the year that they have been budgeted for should be re-evaluated and where warranted included in the budget for the following year at the time of its adoption.

Capital Budget –

- Projects Commenced - Unexpended budgets relating to a capital project which is considered to be a work in progress as at 30 June may be carried forward to the new financial year as a carryover where committed to purchase orders.
- Projects Not Commenced – Unexpended budgets relating to a capital project which has yet to commence should be considered against other competing priorities in determining the content of the budget for the following year rather. Such budgets may be considered for revote to the next financial year.
- Budgets approved for carryover or revote will be adjusted for the impact of subsequent accrued and prepaid expenses processed as part of the end of financial year.

Budget Variations

Board approval must be sought to vary the budget where actuals or expected commitments result in activity outside of the following budget thresholds:

- Operational income and expenditure - any favourable or unfavourable variation greater than \$5,000.

- Capital projects – any favourable or unfavourable variation to the project category that is greater than \$10,000.

Where a variation to the Riverina Water's adopted budget is required, the funds required to give effect to the variation shall be sourced in the following priority:

1. Through a reduction in expenditure of another project or account within the department seeking the variation.
2. Through a reduction in expenditure of another project or account within the total budget.
3. A request to raise the overall budget amount to be funded from any available unrestricted cash (as identified in the previous financial year, Financial Statements).

All budget variation requests are to be authorised by the relevant Director, or the Chief Executive Officer if exceeding the Directors financial delegation and require Board approval. An exception to this is a budget variation request to reallocate budget within the same base level account code hierarchy or project code hierarchy, these are to be authorised in accordance with financial delegations and do not require Board approval.

The Quarterly Budget Review is prepared by the Responsible Accounting Officer being the Manager Finance & Sourcing and is to be approved by the Director Corporate Services and the Chief Executive Officer.

Budget variations requiring approval are reported to the Board for approval as part of the next scheduled Quarterly Budget Review.

Approval to vary the budget can also be sought through a separate report to the Board. This is to include a formal comment from the Manager Finance & Sourcing outlining the financial impact of the proposal on the adopted budget position.

Contingency Planning

Risk and contingency planning must be considered to ensure Riverina Water is prepared for unexpected financial impacts. A contingency allocation may be made within departmental and/or capital budgets for specific purposes, where appropriate. However, it is not acceptable to establish uncontrolled contingency budgets. All contingency provisions are subject to appropriate disclosure in the budget planning process, and regular review to maintain transparency and financial discipline.

As a part of the capital budget, a minor capex budget reserve is maintained to provide an approved reserve of budget for unplanned non-significant works. The reserve is approved as part of the original adopted budget.

Requests for a budget allocation from the minor capex budget reserve do not require Board approval. Budget variation requests to access an allocation from the reserve are to be submitted to the Director Engineering and should meet the following criteria:

- Project is minor in nature
- Total cost is projected to be \$50,000 or below (ex-GST)

With consideration to remaining budget, the Director Engineering has discretion to consider minor capex budget reserve requests that do not meet the above criteria.

Emergency Events

If an emergency event occurs due to an unexpected or unforeseen event such as storm, flood, fire or earthquake that results in critical urgent works to be undertaken to make safe broken or damaged property, equipment or services, the Chief Executive Officer is authorised to make such expenditure within the limits of their financial delegations.

As soon as practicable, a report must be prepared and submitted to the next Board meeting, providing details of the event and the expenditure incurred.

Monitoring and Reporting

Monitoring budget accuracy is the responsibility of all Managers.

Monthly budget meetings are held with the Manex team to review and discuss financial performance against budget, and progress of capital projects to ensure they are on track for completion within budget.

The Quarterly Budget Review is submitted to the Board detailing actual financial performance against budget and revises the budget for the remainder of the year. This occurs as at 30 September, 31 December and 31 March.

Roles and responsibilities

Role	Responsibilities
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Board	Approves budget including any budget variations via Quarterly Budget Reviews and/or standalone board papers.
Chief Executive Officer	Oversees budget development and implementation, emergency approvals.
Directors/Managers	Collaborate and consult with relevant stakeholders for budget development, monitor budgets, endorse departmental variations.
Manager Finance & Sourcing	Prepares and reviews budgets.
All Staff	Must comply with this policy.

Non-Compliance

Non-compliance with adopted policy may be considered a breach under the Code of Conduct. As such, any suspected or known non-compliance will be reported to the CEO.

Policy number

Insert policy number here

Responsible area

Corporate Services

Approved by

Approval date

Legislation or related strategy

NSW Local Government Act 1993

Local Government (General) Regulation 2005

Documents associated with this policy

Operational Plan

Long Term Financial Plan

Policy history

Version 1 - 2025

Review schedule

2 Years

Policy details may change prior to review date due to legislative or other changes, therefore this document is uncontrolled when printed.

END OF POLICY STATEMENT