

# Guideline 5: Budgets

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## Guideline 5: Budgets

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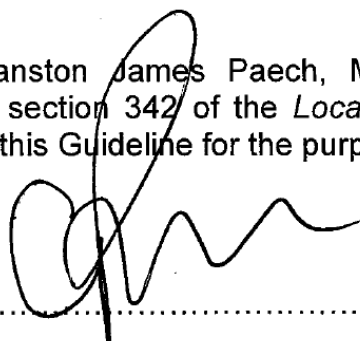
### LOCAL GOVERNMENT GUIDELINE NO. 5

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*Local Government Act 2019*

#### **Making of Guideline**

I, Chanston James Paech, Minister for Local Government, under section 342 of the *Local Government Act 2019*, hereby make this Guideline for the purposes of the Act.



.....  
Minister for Local Government

27/7/2022

# Guideline 5: Budgets

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## 1 Title

1.1 This Guideline is titled *Guideline 5: Budgets*.

## 2 Commencement

2.1 This Guideline commences on the day after the day it is made by the Minister.

2.2 The required form prescribed in this Guideline applies on and from a council's first budget review in the 2022 – 2023 financial year.

## 3 Definitions

**Act** means the Local Government Act 2019.

**General Regulations** means the Local Government (General) Regulations 2021.

**LA** means local authority.

## 4 Relevance to the Act

4.1 Section 201(2) of the Act states the budget for a particular financial year must:

- (a) *outline:*
  - (i) *the council's objectives for the relevant financial year;*
  - (ii) *the measures the council proposes to take, during the financial year, towards achieving those objectives; and*
  - (iii) *the indicators the council intends to use as a means of assessing its efficiency in achieving its objectives; and*
- (b) *contain the projected statement of income and expenditure for the financial year, differentiating between operating and capital expenditure; and*
- (c) *list the council's fees for services and the estimates of revenue for each of those fees; and*
- (d) *state the amount to be allocated to the development and maintenance of infrastructure for the financial year; and*
- (e) *state the amount the council proposes to raise by way of rates, and set out the rates structure, for financial year; and*
- (f) *include an assessment of the social and economic effects of its rating policies; and*
- (g) *state the allowances for members of the council for the financial year and the amount budgeted to cover payment of those allowances; and*
- (h) *separately provide for a budget for each local authority established by the council (if any); and*
- (i) *include any other information required by any guidelines that the Minister may make or as prescribed by regulation; and*
- (j) *be in a form required by any guidelines that the Minister may make or as prescribed by regulation.*

# Guideline 5: Budgets

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4.2 Regulation 8(1) of the General Regulations states that a council's budget must:

- (a) be on an accrual basis; and
- (b) include a list of budget assumptions; and
- (c) include a list of initiatives in the budget; and
- (d) include a list of major capital works and projected costings.

## 5 Required form

5.1 The required form of the budget is provided in Schedule 2 to this Guideline to satisfy sections 201(2)(b), (d), (g), (h) and (i) of the Act; and regulation 8(1) of the General Regulations.

5.2 The required form provides for the minimum information that is required for the sections mentioned in clause 5.1, but does not preclude a council from including additional information.

5.3 A council is not required to include in its budget any line item in the prescribed form that has a zero balance.

5.4 The required form does not contain all the budget requirements set out in section 201 of the Act and regulation 8 of the General Regulations.

5.5 Schedule 1 to this Guideline is an annotated version of the required form that contains explanations and examples for guidance.

*Note for clause 5*

*A template version of the required form (Schedule 2) is available for download on the Department of the Chief Minister and Cabinet's website.*

## 6 Deficit budget

6.1 'Net budgeted operating position' in Table 1.2 must not have a negative balance.

*Note for clause 6*

*Section 202 of the Act states that a council must not budget for a deficit except in accordance with the regulations. Regulation 10 of the General Regulations states a council may budget for a deficit if the reason for the deficit can be attributed to: depreciation, amortisation, asset write-downs, expenditure of tied grant funding recorded as income in a prior year, or other non-cash items. See Regulation 10 of the General Regulations.*

## 7 Categorisation of fees for services

7.1 For the purposes of the form of the budget, a council may group council's fees for services into appropriate categories, rather than listing as individual fees.

*Note for clause 7*

*Section 201(2)(c) of the Act states that the budget for a particular financial year must list the council's fees for services and the estimates of revenue from each of those fees.*

## 8 Major capital projects

8.1 For the purposes of the form of the budget, a council must, by resolution, adopt a minimum threshold as the basis for including major capital works and projected costings in Table 3.1.

8.2 The minimum threshold does not preclude a council from reporting on lower value capital projects in Table 3.1.

# Guideline 5: Budgets

## Schedule 1. Annotated form for guidance

### Part 1. Financial reporting requirements for all local government councils

#### Statement 1. Annual Budget

Table 1.1 Annual Budget Income and Expenditure

<i>EXPLANATION (not required to be published)</i>		Annual Budget \$ *
	<b>OPERATING INCOME</b>	
<i>Estimated rates to be raised</i>	Rates	
<i>Estimated waste charges to be raised</i>	Charges	
<i>Appropriate categories to be determined by council</i>	Fees and Charges	
<i>Untied / tied grants for council operating activities where expenditure will be recorded as an operating expense</i>	Operating Grants and Subsidies	
<i>Interest from cash balances and other investments</i>	Interest / Investment Income	
<i>Any other income in cash or in-kind.</i>	Commercial and Other Income	
	<b>TOTAL OPERATING INCOME</b>	
	<b>OPERATING EXPENDITURE</b>	
	Employee Expenses	
<i>Includes repairs and maintenance expenditure unless reported separately</i>	Materials and Contracts	
<i>Allowances to be set as part of the budget</i>	Elected Member Allowances	(1)
<i>Travel, accommodation and other expenses as approved by council policy</i>	Elected Member Expenses	(2)
<i>Allowances to be set as part of the budget</i>	Council Committee & LA Allowances	(1)
<i>Travel, accommodation and other expenses as approved by council policy</i>	Council Committee & LA Expenses	(2)
	Depreciation, Amortisation and Impairment	
	Interest Expenses	
	Other Expenses	
	<b>TOTAL OPERATING EXPENDITURE</b>	
	<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>	(3)

# Guideline 5: Budgets

Table 1.2 Annual Budget Operating Position

<b>EXPLANATION (not required to be published)</b>		<b>Annual Budget \$ *</b>
<i>Total from Statement 1.1</i>	<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>	<b>(3)</b>
	<b>Remove NON-CASH ITEMS</b>	
<i>Non-cash income included in Statement 1.1 operating income</i>	Less Non-Cash Income	
<i>Non-cash expenses included in Statement 1.1 operating expenses</i>	Add Back Non-Cash Expenses	
	<b>TOTAL NON-CASH ITEMS</b>	
	<b>Less ADDITIONAL OUTFLOWS</b>	
<i>Total capital expenditure per Table 2.1</i>	Capital Expenditure	<b>(4)</b>
<i>Principal repayment on leases and loans</i>	Borrowing Repayments (Principal Only)	<b>(5)</b>
	Transfers to Reserves	
	Other Outflows	
	<b>TOTAL ADDITIONAL OUTFLOWS</b>	
	<b>Add ADDITIONAL INFLOWS</b>	
<i>Grants for capital transactions where expenditure is recorded in the balance sheet</i>	Capital Grants Income	
<i>Prior year tied revenue to be used for operating expenses</i>	Prior Year Carry Forward Tied Funding	
<i>To include borrowings</i>	Other Inflow of Funds	
	Transfers from Reserves	
	<b>TOTAL ADDITIONAL INFLOWS</b>	
<b>Must not be a deficit</b>	<b>NET BUDGETED OPERATING POSITION</b>	

\* Additional lines can be added to Table 1, for example, Materials and Contracts can be reported in 2 or more separate lines in the budget to provide more detail. However, lines are not to be reduced or combined, but any line with a zero balance is not required to be reported in the form.

# Guideline 5: Budgets

## Statement 2. Capital Expenditure and Funding

Table 2.1 By class of infrastructure, property, plant and equipment.

CAPITAL EXPENDITURE **	Current Financial Year (Annual) Budget	Outer Financial Year 1 Budget	OFY2 Budget	OFY3 Budget	> OFY3 Budget
Land and Buildings					
Infrastructure (including roads, footpaths, park furniture)					
Plant and Machinery					
Fleet					
Other Assets (including furniture and office equipment)					
Leased Land and Buildings					
Other Leased Assets					
<b>TOTAL CAPITAL EXPENDITURE *</b>	<b>(4)</b>				<b>(8)</b>
<b>TOTAL CAPITAL EXPENDITURE FUNDED BY: **</b>					
Operating Income (amount allocated to fund capital items)					
Capital Grants					
Transfers from Cash Reserves					
Borrowings					
Sale of Assets (including trade-ins)					
Other Funding					
<b>TOTAL CAPITAL EXPENDITURE FUNDING</b>					

\* Table 2.1 Total Capital Expenditure amounts is to equal Table 1.2 Capital Expenditure.

\*\* Additional lines can be added to Table 2.1 and lines can be split to provide more detail but not reduced or combined.

# Guideline 5: Budgets

## Statement 3. Planned Major Capital Works and projected costing (6)

**Table 3.1 Budget by Planned Major Capital Works** - This budget table is to report major capital works projects that are either in progress, that will continue over more than one financial year or will be completed this current financial year (including projects that are started and completed in the current financial year).

Class of Assets	By Major Capital Project *	Total Prior Year(s) Actuals \$ (A)	Current Financial Year Budget \$ (B)	Outer Financial Year 1 Budget \$ (C)	OFY2 Budget \$ (D)	OFY3 Budget \$ (E)	>OFY3 Budget (7) \$ (F)	Total Planned Budget \$ (G=A+B+C+D+E+F)	Expected Project Completion Date
<i>Example: Land and Buildings</i>	<i>Refurbish Building XXX Construction Works</i>	175 000	80 000	25 000	-	-	-	280 000	30/9/OFY 1
<i>Example: Infrastructure</i>	<i>XXXX Road Reseal</i>	-	110 000	-	-	-	-	110 000	30/11/FY
	<b>TOTAL</b>								

\* A council must, by resolution, adopt a minimum threshold as the basis for including budgeted major capital works projects in Table 3.1 (for example, Council resolved major capital works projects are projects that are expected to cost more than \$150 000 in total). Nothing precludes a council from including capital works projects lower than the threshold value in Table 3.1 (for example, where a capital project is of significant public interest).

# Guideline 5: Budgets

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## Statement 4. Budget Assumptions - (8)

This is a narrative of the assumptions the budget is based on.

*As examples:*

*An estimated CPI increase of 1.5% has been applied to the current and outer 3-year budgeted expenses and then a 2% increase thereafter.*

*The Council's employee Enterprise Bargaining Agreement (EBA) is due for renewal in budget outer year 2 and to avoid pre-empting negotiations the same rate increase that exists currently has been applied.*

## Statement 5. Budget Initiatives (9)

This is a narrative of new major projects, plans and decisions that are included or may have a future impact on the budget.

*As examples:*

*The Council has identified key community access roads that require upgrades to become all weather roads for the long-term wellbeing and economic growth of these communities. Funds have been allocated in the Council's long-term budget to accumulate in a reserve for this purpose and the Council will lobby the Territory and Australian governments for contributions to this project.*

*Following a review of the age and condition of Council's motor vehicles, the Council has determined the 3-year capital replacement plan will be extended to 4 years, starting this current budget year, to better reflect the need.*

*Communication and internet connectivity is vital for Council's communities and the Council will begin investigating ways to improve and partner with its two neighbour councils to make improvements. To begin, the Council has budgeted capital expenditure of \$200 000 for a communication tower at community X in budget outer year 2 to be funded from within.*



# Guideline 5: Budgets

## Part 2. Additional financial reports for regional local government councils

### Statement 6. Budget for Each Local Authority Area (10)

**Table 6.1 Local Authority Area Budget** - This table only applies to regional local government councils.

<b>EXPLANATION (not required to be published)</b>	<b>LOCAL AUTHORITY BUDGETS FOR THE YEAR ENDING 30 JUNE 20YY</b>	<b>Unallocated Budget *</b>	<b>LA 1</b>	<b>LA 2</b>	<b>Total Annual Budget **</b>
	<b>OPERATING INCOME</b>				
<i>Estimated rates to be raised in the LA area</i>	Rates				
<i>Estimated waste charges to be raised in the LA area</i>	Charges				
<i>Categories and allocations are to be determined by council</i>	Fees and Charges				
<i>Untied / tied grants for operating activities where expenditure will be recorded as an operating expense – if not clear the allocation to an LA area is to be determined by council</i>	Operating Grants and Subsidies				
<i>Interest from cash balances and other investments – allocation to an LA area is to be determined by council</i>	Interest / Investment income				
<i>Any other income in cash or in-kind as determined by council</i>	Commercial and Other Income				
	<b>TOTAL OPERATING INCOME</b>				
	<b>OPERATING EXPENDITURE</b>				
<i>The allocation to the LA area is to be determined by council</i>	Employee Expenses				
<i>To include appropriate repair and maintenance expenditure unless reported separately</i>	Materials and Contracts				
<i>The allocation is to be determined by council</i>	Elected Member Allowances				
<i>Travel, accommodation and other expenses allocated to the LA area as approved by council policy</i>	Elected Member Expenses				
<i>Allowances to be set as part of the budget</i>	Council Committee & LA Allowances				
<i>Travel, accommodation and other expenses as approved by council policy</i>	Council Committee & LA Expenses				
<i>The allocation to the LA area is to be determined by council</i>	Depreciation, Amortisation and Impairment				
<i>The allocation to the LA area is to be determined by council</i>	Interest Expenses				
<i>The allocation to the LA area is to be determined by council</i>	Other Expenses				
	<b>TOTAL OPERATING EXPENDITURE</b>				
	<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>				

\* Unallocated budget would likely include council headquarter costs and other balances not directly related to the LA areas.

\*\* Total budget line item amounts are to equal the Table 1.1 amounts under the equivalent headings.

# Guideline 5: Budgets

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## Annotations

- (1) Section 201(2)(g) of the Act requires the annual budget to state the allowance for members of the council for the financial year and the amount budgeted to cover payment of those allowances. *Note:* Councils must state the allowance for members of the council in the budget (disclosure not included in this Guideline).
- (2) Section 109(3)(a) of the Act requires council, council committee and local authority expenses and benefits (as adopted by policy) to be disclosed in a council's budget.
- (3) Regulation 10 of the General Regulations lists the reasons a council's budget can be in a deficit, including depreciation, amortisation, asset write-downs, expenditure of tied grant funding recorded as income in a prior year, or other non-cash items.
- (4) Section 201(2)(b) of the Act requires the annual budget to contain the projected statement of income and expenditure for the financial year, differentiating between operating and capital expenditure.
- (5) *Guideline 3: Borrowing*, clause 7.6, requires approved borrowings to be reflected in a council's budget.
- (6) Regulation 8(1)(d) of the General Regulations states the council's budget and long-term financial plan must include a list of major capital works and projected costings.
- (7) Regulation 8(2) of the General Regulations states if budgeted capital expenditure for a capital item is expected to be incurred after the period provided in the long-term financial plan, the long-term financial plan must include a statement setting out the remaining budget balance amount and the expected capital expenditure completion date.
- (8) Regulation 8(1)(b) of the General Regulations states the council's budget and long-term financial plan must include a list of budget assumptions.
- (9) Regulation 8(1)(c) of the General Regulations states the council's budget and long-term financial plan must include a list of initiatives in the budget.
- (10) *Guideline 1: Local Authorities*, clause 14.1, requires a regional council to submit to each of the council's local authorities a current financial report of actual results against the latest approved budget for the local authority area.

# Guideline 5: Budgets

## Schedule 2. Required form

### Part 1. Financial reporting requirements for all local government councils

#### Statement 1. Annual Budget

Table 1.1 Annual Budget Income and Expenditure

	Annual Budget \$
<b>OPERATING INCOME</b>	
Rates	
Charges	
Fees and Charges	
Operating Grants and Subsidies	
Interest / Investment Income	
Commercial and Other Income	
<b>TOTAL OPERATING INCOME</b>	
<b>OPERATING EXPENDITURE</b>	
Employee Expenses	
Materials and Contracts	
Elected Member Allowances	
Elected Member Expenses	
Council Committee & LA Allowances	
Council Committee & LA Expenses	
Depreciation, Amortisation and Impairment	
Interest Expenses	
Other Expenses	
<b>TOTAL OPERATING EXPENDITURE</b>	
<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>	

Table 1.2 Annual Budget Operating Position

	Annual Budget \$
<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>	
<b>Remove NON-CASH ITEMS</b>	
Less Non-Cash Income	
Add Back Non-Cash Expenses	
<b>TOTAL NON-CASH ITEMS</b>	
<b>Less ADDITIONAL OUTFLOWS</b>	
Capital Expenditure	
Borrowing Repayments (Principal Only)	
Transfers to Reserves	
Other Outflows	
<b>TOTAL ADDITIONAL OUTFLOWS</b>	
<b>Add ADDITIONAL INFLOWS</b>	
Capital Grants Income	
Prior Year Carry Forward Tied Funding	
Other Inflow of Funds	
Transfers from Reserves	
<b>TOTAL ADDITIONAL INFLOWS</b>	
<b>NET BUDGETED OPERATING POSITION</b>	
	<b>Annual Budget \$</b>



# Guideline 5: Budgets

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## Statement 4. Assumptions

## Statement 5. Initiatives

## Part 2. Additional financial reports for regional local government councils

### Statement 6. Budget for Each Local Authority Area

Table 6.1 Local Authority Area Budget

<b>LOCAL AUTHORITY BUDGETS FOR THE YEAR ENDING 30 JUNE 20YY</b>	<b>Unallocated Budget</b>	<b>LA 1</b>	<b>LA 2</b>	<b>Total Annual Budget</b>
<b>OPERATING INCOME</b>				
Rates				
Charges				
Fees and Charges				
Operating Grants and Subsidies				
Interest / Investment income				
Commercial and Other Income				
<b>TOTAL OPERATING INCOME</b>				
<b>OPERATING EXPENDITURE</b>				
Employee Expenses				
Materials and Contracts				
Elected Member Allowances				
Elected Member Expenses				
Council Committee & LA Allowances				
Council Committee & LA Expenses				
Depreciation, Amortisation and Impairment				
Interest Expenses				
Other Expenses				
<b>TOTAL OPERATING EXPENDITURE</b>				
<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>				