



Budget Variation Policy

Policy Purpose

The budget variation policy provides clear direction to the Chief Executive Officer (CEO) regarding amendments to the annual budget outside the budget review.

Policy Scope

This policy applies to the CEO who has budget responsibility. It provides direction and guidance for managing expenditures that exceed the budget.

Definitions

Act means the *Local Government Act 1995* (WA).

Additional Purpose means a purpose for which no expenditure estimate is included in the budget.

Budget means the Annual Budget endorsed by Council for the financial year as per section 6.2 of the *Local Government Act 1995*.

Budget Amendment means the variations and amendments to the Budget endorsed by Council for the financial year.

Budget review Regulation 33A requires local governments to carry out a review of their annual budget between 1 January and 31 March each year.

Capital Expenditure means funds used to acquire, upgrade, and maintain physical assets such as roads, property, buildings, or equipment.

Emergency Expenditure means expenditure required to mitigate any risk related to injury to a person, a natural disaster, or restoring or maintaining normal services to the community.

Expenditure Classification means expenditure is reported by “nature and type”. Expenditure is classified as: employee costs, materials & contracts, utilities charges, depreciation. finance costs, insurance and other expenditure.

Offsetting Saving means savings identified in one area that can be used to cover over-expenditure in another area.

Policy Statement

The Annual Budget is a financial forecast of the anticipated revenues and expenditures for the Shire of Denmark’s (Shire) operations over the year. Variations are expected as actual circumstances may differ from initial estimates. These differences may arise from cost

savings, changes in project scope, changes in economic conditions, receipt of unanticipated revenues, or incurrence of unanticipated costs.

Any budget amendment is to be made in accordance with Section 6.8 of the Act, and the Shire is not to incur expenditure for an additional purpose except where the expenditure has been authorised in advance by resolution.

The CEO must ensure that expenditure is monitored and in accordance with the budget.

Policy

The CEO may approve minor operating expenditure that exceeds the budget, provided that:

- The operating expenditure does not exceed the budget by more than \$50,000 or 10% of expenditure, whichever is lower.
- The expenditure is not for an additional purpose.
- An offsetting saving in the budget over actual expenditure within the same budget expenditure classification must also be identified.
- These approvals are recognised by Council during budget review.

The CEO may approve minor capital expenditure that exceeds the budget, provided that:

- The capital expenditure per item does not exceed the budget by more than \$200,000 or 30% of expenditure, whichever is lower.
- The total expenditure of the capital works program does not exceed 10% of the total or \$400,000, whichever is the lower.
- The expenditure is not for an additional purpose.
- These approvals are recognised by Council at the next monthly meeting and are endorsed as a Budget Amendment.

Funding for capital projects may only be used for the purpose for which it has been approved in the budget.

Proposals for new capital works outside of the budget will only be considered as part of the budget review unless exceptional circumstances exist. Where exceptional circumstances exist, no liability is to be incurred until the expenditure has been approved by Council in accordance with Section 6.8(1)(b) of the Act.

Funding approved for capital projects cannot be used to cover operating expenses. Subject to approval by the CEO or Council (as required) operating expenditure may be used for capital projects.

Emergency Expenditure

Funding to deal with emergencies will be considered as required, however, it must be approved by the Shire President in accordance with Section 6.8(1)(c) of the Act.

Monitoring and Reporting

Regular monitoring of the budget will be conducted to ensure compliance with the policy. Any significant variances from the budget must be reported to Council with an explanation and proposed corrective actions.

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