



**Local Excellence**

Councils Working Together for Communities

*Financial Sustainability*

## Information Paper 25

# Monitoring Council Budget Performance

Revised January 2012



## Introduction

This Information Paper is one of a series of Information Papers about Financial Sustainability and Financial Governance in Local Government.

The series of Information Papers was originally published in 2006 to 2011 as part of the Financial Sustainability Program. The history of that program and a complete list of Information Papers and other resources, including a glossary of terms and abbreviations, is provided on the LGA's "Financial Sustainability" web page: <http://www.lga.sa.gov.au/goto/fsp>.

The entire series of Papers was revised in early 2012 to take account of legislative changes and other developments. These Papers are addressed to, and written primarily for the benefit of Council Members and staff, but they are also available as a resource for the general public and students of Local Government.

## Background

The objective of this paper is to provide guidance on recommended practice and legislative requirements regarding budget performance information that is reported and included in Council agenda papers. The type and level of reported information required by Council Members in order to effectively carry out their roles is less detailed but more strategically focussed than the information Council management needs to monitor and manage a Council's budget.

The LGA is aware that there has historically been an extremely wide variation in the approaches being adopted by Councils to budget reviews and recognises that some Councils may have different views on the recommended practices set out in this paper. However the LGA expects that the guidance provided in the paper will be welcomed by a large number of Councils that are looking for help in this area.

This paper should be read in conjunction with a number of the other Financial Sustainability Information Papers at [www.lga.sa.gov.au/goto/fsp](http://www.lga.sa.gov.au/goto/fsp) and in particular:

- Paper 8 *Long-term Financial Plans*; and
- Paper 9 *Local Government Financial Indicators*.

## Budget Reporting Framework

The recommended framework of budget performance information consists of three types of reports:

1. Budget Update (at least twice per year);
2. Mid-year Budget Review (once per year); and
3. Report on Financial Results (one report after completion and audit of annual financial statements for the previous financial year).

The three reports collectively are intended to provide a transparent and comprehensive reporting regime that would, among other things, allow a Council to track performance against the financial targets it established in its annual budget.

### 1. Budget Update

The original budget is a fundamental instrument of accountability and an essential pre-requisite to deciding the annual rate impost on the community. As such it is important

that variations compared with the original budget be disclosed and explained in a Budget Update at least twice per year.

Some Councils will wish to prepare a Budget Update each month and are **not** discouraged from doing so. Other Councils will prefer less frequent reporting on an update of the budget. This is also acceptable providing that the minimum requirement in Regulation 9(1)(a) of the [Local Government \(Financial Management\) Regulations 2011](#) for a budget update at least twice a year is met.

Regulation 9(1)(a) of the [Local Government \(Financial Management\) Regulations 2011](#) requires a Budget Update report to include only a revised forecast of the Council's operating and capital investment activities compared with estimates set out in the original budget. This paper recommends that the Budget Update show, at summary level:

- budget activity for the year to date;
- any variances sought to the most recent revised budget for the financial year;
- a revised budget proposed for the financial year; and
- a revised forecast for the financial year (often the same as the revised budget).

The Budget Update is important for the elected Council, because there are legal constraints that prevent anyone other than the elected body of Council approving or revising budget expenditure.

Under section 44 (3) of the [Local Government Act 1999](#) a Council cannot delegate to its CEO (or to anyone else) the power to:

- “approve expenditure of money on works, services or operations of the council not contained in a budget adopted by the council;” nor
- “adopt or revise an annual business plan or budget of the council”.

Therefore, if a Council wishes to give some flexibility to a CEO to respond to changing circumstances or opportunities between Budget Updates, then the Council needs to have that flexibility built into the original budget, or into a subsequent Budget Update.

If the budget is expressed at an aggregated level, with expenditure listed under broad headings, then the CEO can have authority and flexibility to respond appropriately to changes in circumstances or opportunities.

However, the mechanism chosen by a Council to authorise such flexibility should be clearly set out in a policy adopted by it and tailored to its circumstances. In particular the policy should focus on how any additional expenditure is to be accommodated (e.g. are there other expenditure areas that can be reduced, can additional revenue streams be used?)

A council policy should clearly state the scope and conditions under which a CEO may authorise expenditure (e.g. there must be a requirement on a CEO to offset any increase from savings in other areas or by identifying opportunities to generate additional revenue). See the model policy at Attachment 1 as an example.

The Budget Update also would quantify the cumulative financial implications of decisions made at previous Council meetings. Succinct budget reporting keeps Council finances in the spotlight for Council Members at a strategic and user-friendly level.

The suggested Budget Update template shown in Figure 1.1 below is a high level summary of the operating and capital activities of a Council. It effectively adapts the “Uniform

Presentation of Finances" report that Councils are required to include in their budgets, long-term financial plans and annual financial statements.

It includes information regarding actual year to date activity but does not show a corresponding year to date budget amount. Year to date budgets often are difficult to compile and year to date actual versus budget comparisons can be misleading, with variations often inconsequential. Instead, a focus of the Budget Update is on the end of year revised forecast in comparison with the original and revised (full year) budget<sup>1</sup>.

The Budget Update should be accompanied by a short written report that explains any variances sought in the revised budget since the previous Budget Update. Where a variation is covered elsewhere in a separate Council Agenda item, the written report should refer to this item with no further commentary required. If the variation is not covered elsewhere in the Council Agenda and is material in size, then specific explanatory information should be provided (e.g. variations due to change in price or level of activity). The written report ideally would be brief with no explanation required for minor variances in the revised budget.

Where it becomes apparent that planned capital expenditure will not be incurred due to projects being delayed, this needs to be clearly explained in the written report with the impacts on the future year and beyond also being quantified.

Regardless of the frequency of budget updates, budget revisions should be proposed only when there is reasonable certainty that a revision is warranted.

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<sup>1</sup> Note that in any budget update it is possible for there to be a variation between amounts shown in the Revised Budget and Revised Forecast columns. Amounts in the Revised Forecast column should be based on current best estimates but it may be appropriate to delay seeking approval to adjust the Revised Budget until there is more certainty about a forecast (providing that the year to date quantum remains within the existing Revised Budget for the full-year). Note also that the [Local Government \(Financial Management\) Regulations 2011](#) neither require nor contemplate a Council approving a "revised budget" during a financial year. Instead, the emphasis in the Regulations is for Council Members to be provided, at least twice per year, with a "revised forecast" compared with estimates set out on the original budget. As noted above, this Paper promotes an arrangement whereby Council Members also would approve a revised budget at least twice per year (but only if a revision is warranted).

**Figure 1.1 Budget Update <sup>2</sup>**

	Note <sup>3</sup>	Original Full-year Budget \$'000	Year to Date Actual \$'000	Full-year Revised Budget in last Update \$'000	Variance \$'000	Proposed Full-year Revised Budget \$'000	Current Full-year Revised Forecast \$'000
<b>OPERATING ACTIVITIES:</b>							
Operating Income	1						
<i>less</i> Operating Expenses	2						
<b>Operating Surplus / (Deficit) (a)</b>							
<b>CAPITAL ACTIVITIES:</b>							
<b>Net Outlays on Existing Assets</b>							
Capital Expenditure on renewal and replacement of Existing Assets	3						
<i>less</i> Depreciation, Amortisation and Impairment	4						
<i>less</i> Proceeds from Sale of Replaced Assets	5						
<b>Net Outlays on Existing Assets (b)</b>							
<b>Net Outlays on New and Upgraded Assets</b>							
Capital Expenditure on New and Upgraded Assets	6						
<i>less</i> Amounts received specifically for New and Upgraded Assets	7						
<i>less</i> Proceeds from Sale of Surplus Assets	8						
<b>Net Outlays on New and Upgraded Assets (c)</b>							
<b>Net Lending / (Borrowing) (a)-(b)-(c)</b>							

<sup>2</sup> The LGA's [General Meeting in March 2006](#) resolved that Council budgets include a high-level summary of both operating and capital activities prepared on a uniform and consistent basis. Apart from providing a focus on the key measure of a Council's financial performance - i.e. its operating surplus/(deficit) - a primary objective of this arrangement is to ensure that Councils provide a common 'core' of financial information, to enable more meaningful comparisons of each Council's finances. Long-term financial plans and annual financial statements include summary information on the same basis. Fig 1.1 summarises Council's finances using the uniform approach. Attachment 2 provides an explanation of terms used.

<sup>3</sup> As warranted

## 2. Mid-year Budget Review

A comprehensive Mid-year Budget Review is proposed consistent with Regulation 9(1)(b) of the [Local Government \(Financial Management\) Regulations 2011](#). With the provision of Budget Update reports in the manner described above, only one comprehensive budget review is considered necessary. The Mid-year Budget Review must include preparation of the four principal financial statements (excluding notes) and show a revised full year forecast of each item in the budgeted financial statements compared with estimates set out in the original budget.

While Councils could choose to prepare a comprehensive set of revised financial statements more regularly, most are likely to determine that, having regard to their operating circumstances, this workload is not warranted. The Mid-year Budget Review should be completed and considered by Councils after the annual financial statements for the previous financial year have been completed and audited but no later than the middle of March. This will ensure that the revised forecasts for the current financial year can be used as the platform for preparation of the following year's draft annual business plan.

Although not required by [the Regulations](#), there are two supplementary reports that are recommended for inclusion in the Mid-year Budget Review – a report providing revised forecasts of financial indicators compared with targets established in the original budget and a summary report of operating and capital activities (refer to Figures 2.1 and 2.2 below).

Where additional information is considered appropriate or Council Members seek more detail (e.g. about a particular project or activity) it should be provided in an appendix to the Mid-year Budget Review. This will help ensure that the key information being presented is the focus of analysis and deliberations (see also Section 4.2 of this paper). It is important that any supplementary reports that are intended to be included as part of the Mid-year Budget Review are initially established in the original budget in the same format.

The written report that accompanies the Mid-year Budget Review has a similar objective as the written material accompanying the Budget Update. However, it should be more comprehensive and highlight whether the Council is on track to achieve both its financial and key service delivery performance targets as outlined in the budget. The written report should indicate whether all key service levels implicitly or explicitly proposed in the original budget will or will not be materially achieved. If for example the cost of undertaking a particular service activity has risen and will necessitate a material reduction in service activity (e.g. park maintenance or unsealed road patrol grading) in order to keep expenditure within the original budget allocation, then this should be disclosed.

The written report also should include a high level review of a Council's Long-term Financial Plan and how this will be affected by any operational or environmental factors that have impacted on a Council's finances as highlighted in the Mid-year Budget Review.

A review of the Long-term Financial Plan is required annually, after adoption of the Annual Business Plan, in accordance with Section 122(4)(a) of the [Local Government Act 1999](#). More frequent reviews are encouraged and a high level review in the middle of a financial year is considered appropriate.

Figure 2.1: Mid Year Budget Review - Financial Indicators

Financial Indicator	Note	Original Budget Target	Revised Forecast Target
<b>Operating Surplus / (Deficit)</b>	<b>1</b>		
<b>Operating Surplus Ratio</b> Operating Surplus (a) General and Other Rates (net of rebates and NRM levy) (b)			
<b>Operating Surplus Ratio = (a) divide (b)</b>	<b>2</b>		
<b>Net Financial Liabilities Ratio</b> Net Financial Liabilities (Total Liabilities less Financial Assets) (c) Operating Revenue (excluding NRM Levy) (d)			
<b>Net Financial Liabilities Ratio = (c) divide (d)</b>	<b>3</b>		
<b>Asset Sustainability Ratio</b> Capital Expenditure on renewal and replacement of assets (e) Optimal level of asset renewal and replacement expenditure as per I&AMP (f)			
<b>Asset Sustainability Ratio = (e) divide (f)</b>	<b>4</b>		

The Financial Indicators supplementary report is a more detailed version of the note in the Model Financial Statements entitled Financial Indicators (Note 15). In particular, the report itemises the components of each indicator so that Council Members can clearly see how the measures are calculated.<sup>4</sup>

The commentary to the Financial Indicators supplementary report should give specific attention to indicators that return a result materially different from targets for such indicators established in the original budget (taking account of the impact of revised budget figures). It should highlight in particular any implications for indicator results for the medium/longer-term compared with what was previously forecast in Council's Long-term Financial Plan.

<sup>4</sup> See LGA Financial Sustainability Information Paper No. 9: *Financial Indicators* at <http://www.lga.sa.gov.au/goto/fsp>

Figure 2.2: *Mid-year Budget Review - Summary Report of Operating and Capital Activities*

	Note	Original Full-year Budget \$'000	Full-year Revised Forecast \$'000	Preliminary Estimate Next Year \$'000
<b>OPERATING ACTIVITIES:</b>				
Operating Income	1			
less Operating Expenses	2			
<b>Operating Surplus / (Deficit) (a)</b>				
<b>CAPITAL ACTIVITIES:</b>				
<b>Net Outlays on Existing Assets</b>				
Capital Expenditure on renewal and replacement of Existing Assets	3			
less Depreciation, Amortisation and Impairment	4			
less Proceeds from Sale of Replaced Assets	5			
<b>Net Outlays on Existing Assets (b)</b>				
<b>Net Outlays on New and Upgraded Assets</b>				
Capital Expenditure on New and Upgraded Assets	6			
less Amounts received specifically for New and Upgraded Assets	7			
less Proceeds from Sale of Surplus Assets	8			
<b>Net Outlays on New and Upgraded Assets (c)</b>				
<b>Net Lending / (Borrowing) for Financial Year (a)-(b)-(c)</b>				

The preliminary estimate for the next year column in the above report effectively is a high level preliminary draft of next year's budget. It is based on the applicable year of a Council's Long-term Financial Plan adjusted as appropriate to take account of the Mid-year Budget Review and any other relevant material information and factors that have emerged since the preparation of the Long-term Financial Plan. The [Local Government \(Financial Management\) Regulations 2011](#) do not specify a requirement to include a preliminary estimate for the next year in the Mid-year Budget Review.<sup>5</sup> Its inclusion is nevertheless recommended and Councils that choose to prepare such information are likely to find it of considerable value.

<sup>5</sup> See [Regulation 9\(1\)\(b\)](#).

### 3. Report on Financial Results

The Report on Financial Results is an accountability document for Council Members to receive audited information on aggregate financial results relative to estimated financial results set out in the original budget for the previous financial year (the latter, of course, being the basis for Council rating decisions). The absence of such a report potentially could create serious internal control weaknesses in that large budget variations might not be disclosed to Council Members. The report also would help guide future decision-making.

Regulation 10 of the [Local Government \(Financial Management\) Regulations 2011](#) requires the report to be presented in a manner consistent with the Model Financial Statements. The [Office for State/Local Government Relations](#) has confirmed that the policy intent of the Regulations is that the report must include each item shown in the four principal financial statements, excluding notes.<sup>6</sup> This paper recommends that the report also should provide a written explanation of any material (as determined by each Council) variances between actual and budgeted results.

This paper further recommends the preparation of two supplementary reports similar to those recommended for preparation in the Mid-year Budget Review in Section 2 above. One would report performance by way of financial indicators (refer Figure 3.1) and the other would summarise operating and capital activities (refer Figure 3.2). The suggested formats are simple and easy to read. Reference notes should be provided briefly explaining the reasons for any material variances (noting that variances in respect of Figure 3.2 would have been covered in the main Report on Financial Results).

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<sup>6</sup> Some Councils may wish to add an additional column in their Report on Financial Results which shows full-year revised forecasts drawn from the Mid-year Budget Review or, where a full set of financial statements is included in their Budget Update, full-year revised budgets or revised forecasts from the most recent Budget Update.

Figure 3.1 Report on Financial Results - Financial Indicators

Financial Indicator	Note	Original Budget Target	Actual Result
<b>Operating Surplus / (Deficit)</b>	<b>1</b>		
<b>Operating Surplus Ratio</b> Operating Surplus (a) General and Other Rates (net of rebates and NRM levy) (b)			
<b>Operating Surplus Ratio = (a) divide (b)</b>	<b>2</b>		
<b>Net Financial Liabilities Ratio</b> Net Financial Liabilities (c) Operating Revenue (excluding NRM Levy) (d)			
<b>Net Financial Liabilities Ratio = (c) divide (d)</b>	<b>3</b>		
<b>Asset Sustainability Ratio</b> Capital Expenditure on renewal or replacement of assets (h) Optimal level of asset renewal and replacement expenditure as per I&AMP (i)			
<b>Asset Sustainability Ratio = (h) divide (i)</b>	<b>4</b>		

Figure 3.2: Report on Financial Results - Summary Report of Operating and Capital Activities

	Original Budget \$'000	Actual Result \$'000
<b>OPERATING ACTIVITIES:</b>		
Operating Income		
less Operating Expenses		
<b>Operating Surplus / (Deficit) (a)</b>		
<b>CAPITAL ACTIVITIES</b>		
<b>Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets		
less Depreciation, Amortisation and Impairment		
less Proceeds from Sale of Replaced Assets		
<b>Net Outlays on Existing Assets (b)</b>		
<b>Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets		
less Amounts received specifically for New and Upgraded Assets		
less Proceeds from Sale of Surplus Assets		
<b>Net Outlays on New and Upgraded Assets (c)</b>		
<b>Net Lending / (Borrowing) for Financial Year (a)-(b)-(c)</b>		

#### 4. Other Issues for Councils to Consider

##### 4.1: Carry Forward of Projects:

The Budget Update report also may be used as a mechanism for Council to approve spending to undertake or complete capital projects from the previous year. The first Budget Update each year typically would incorporate, in revised budget and revised forecast columns, adjustments for any proposed expenditure on projects for which Council approval is being sought to have carried forward from the previous financial year.

Generally speaking operating expenses budgeted for but not expended in a year should not be carried forward to the following year. However, there may be grounds why budget allocations for special purpose or one-off operating activities could be approved for carrying forward.

Normally capital projects that have not commenced in one year should be considered against other competing priorities in determining the content of the budget for the following year rather than treated separately as 'carried forwards'. The scope and funding requirements of capital projects that are committed or underway but not completed at the end of one financial year need to be reviewed and the projects considered for carrying forward as soon as possible in the following financial year. All Councils should have written and approved budget management policies that articulate how they deal with carryovers. The Model Budget Reporting and Amendment Policy at Attachment 1 of this Paper includes an example.

#### **4.2: Reporting of expenditure by Activity/Function**

Council budget documents often include detail of operating expenses and capital expenditure at 'activity' level. The elected Council's budget management focus should however be at aggregate levels (each of aggregated operating expenses and capital expenditure). Provided that service levels achieved for particular activities are consistent with those intended in the original budget, it matters not for budget management purposes if for example, in overall operating expenses, one activity costs more than initially estimated if others cost correspondingly less (assuming such variations do not have adverse ongoing implications).

Under section 44 (3) (da) of the [Local Government Act 1999](#) a Council cannot delegate to its CEO (or to anyone else) the "power to adopt or revise an annual business plan or budget of the council". Therefore, the CEO cannot be authorised to make revisions to a council budget. However, providing the budget is expressed at a sufficiently aggregated level, the CEO can and should be authorised to make revisions to activity within budget allocations where these do not result in changes in service levels intended by the Council or result in aggregate revised budgets that would exceed limits for each of operating expenses and capital expenditure set by Council in its budget or have adverse implications for future years.

Attachment 3 includes an example of an activity level report that could be prepared and included as an appendix to the original budget. Councils should ensure consistency between the format of such a document and budget activity information provided in their Annual Business Plans and functional activity groupings shown in their Strategic Management Plans.

A report in the same format that was appended to the original budget ideally should also be included in the Mid-year Budget Review and the Report on Financial Results.

#### **5. Acknowledgements**

The development of this paper has been assisted by funding from the [Local Government Research and Development Scheme](#).

The contribution of Rex Mooney of RMBAS, John Comrie of [JAC Comrie Pty Ltd](#) and John Wright of the [Office for State/Local Government Relations](#) in the preparation of this paper is acknowledged.

## Attachment 1 – Model Budget Reporting and Amendment Policy

**POLICY NAME:** *Budget Reporting and Amendment Policy*

**Approved by:**

*[Council or Committee]*

*[Date]*

**Subsequent Amendments:**

*[Date]*

*[Authorisation]*

*[Reference to aspects amended]*

**Review Date:**

*[Date of next review]*

**Document Owner:**

*[Position responsible for maintenance of the document]*

## CONTENT

### 1. INTRODUCTION

This policy provides clear direction to management and staff in relation to amending, and reporting performance against, Council's adopted budget.

### 2. POLICY OBJECTIVES

The intention of the Budget Reporting and Amendment Policy is to provide management with a framework to operate within in regard to the following:

- The content, timing and process to be followed for reporting to Council on its performance against budget;
- The scope and conditions associated with the Chief Executive Officer approving variations in activity (that are within the scope of the approved budget allocations) without obtaining Council approval; and
- The process required to be followed as well as general guidelines in relation to the carrying forward of expenditure authority associated with projects included in the budget for the previous year.

### 3. POLICY STATEMENTS

#### 3.1 Timing and Content of Budget Reporting to Council

A Budget Update report is to be prepared and included in the agenda of the Ordinary Meeting of Council/Council's XXX Committee in the months of XXX and XXX. The report will highlight at summary level budget activity for the year to date, original and revised budget

information, and include the latest revised forecast of expected budget results for the year. The report will include data presented in the format similar to Figure 1.1 in the LGA's Information Paper 25 – *Monitoring Council Budget Performance*, and an explanation of any proposed budget variations that have not previously been approved.

### **3.2 Approval of Variations outside the scope of the Budget**

Council approval must be sought and obtained before commitments are made that would result in activity outside of the budget limits.

In considering a request for a revision to its budget Council will consider the impact the approval would have on the achievement of the targets for financial indicators established in Council's original budget. It will also consider the capacity to increase other revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation and the merit of so doing.

### **3.3 Approval of variations within the scope of the Budget**

Where circumstances so warrant (e.g. for reasons of urgent necessity) the CEO may in consultation with the Principal Member authorise variations in activity that are within the scope of approved limits for budget items providing that variations made do not:

1. in aggregate exceed threshold value limits for that function/activity outlined in the Budget;
2. materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original allocation; and
3. impact on any explicit proposals Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in its budget.

Whenever such changes are made, the following Budget Update must include information from the CEO explaining the rationale for the decision.

### **3.4 Guidelines in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.**

Funding approval for budgeted activity not completed at the end of any budget year is forfeited unless approval to carry-over the activity and associated budget allocation is granted by Council.

While there may be one-off exceptions, operating activity budgeted for but not expended in a year generally should not be carried forward to the following year. 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. Similarly capital projects that have not commenced in one year should be considered against other competing priorities in determining the content of the budget for the following year rather than treated separately as 'carried forwards'.

The scope and funding requirements of capital projects and major operating-type activities that are committed or underway but not completed at the end of one-financial year needs to be reviewed and the projects/activities considered for carrying forward as soon as possible in the following financial year.

Any request for carrying forward activity needs to clearly highlight whether the scope of each activity item and its associated funding quantum is proposed to be varied from that previously approved and if so the reasons for same. Any impact on the on the achievement of the targets for a financial indicator established in Council's original budget for the current year also should be identified.

#### **4. LEGISLATIVE REQUIREMENTS AND CORPORATE POLICY CONTEXT**

Regulations 7, 9 and 10 of the [Local Government \(Financial Management\) Regulations 2011](#).

Further information and guidance material is provided in the LGA's Financial Sustainability Information Paper 25: *Monitoring Council Budget Performance* at <http://www.lga.sa.gov.au/goto/fsp>

*[Also identify here related Council policies and strategies.]*

Attachment 2 - Explanation of terms used in the "Uniform Presentation of Finances" format

<b>UNIFORM PRESENTATION OF FINANCES</b>	<b>2009-10 Actual \$'000</b>	<b>2010-11 Forecast \$'000</b>	<b>2011-12 Budget \$'000</b>
Income			
less Expenses			
<b>Operating Surplus / (Deficit)</b>	-	-	-
<b>Less: Net Outlays on Existing Assets</b>			
Capital Expenditure on Renewal / Replacement of Existing Assets			
less Depreciation, Amortisation and Impairment Expenses			
less Proceeds from Sale of Replaced Assets			
<b>Net Outlays on Existing Assets</b>	-	-	-
<b>Less: Net Outlays on New and Upgraded Assets</b>			
Capital Expenditure on New / Upgraded Assets			
less Amounts received specifically for New / Upgraded Assets			
less Proceeds from Sale of Surplus Assets			
<b>Net Outlays on New and Upgraded Assets</b>	-	-	-
<b>Net Lending / (Borrowing) for Financial Year</b>	-	-	-

Income available for delivery of services. Includes all grants except those received specifically to acquire or enhance assets.

Cost of services, including depreciation expenses.

The extent to which income is sufficient or insufficient (bracketed) to fund the cost of services. Operating Surplus / (Deficit) is the key measure of a Council's financial performance.

Expenditure which returns the service potential of existing assets up towards that which they had originally.

Depreciation and amortisation expenses represent the systematic allocation of the depreciable amount of assets over their useful lives. Impairment recognises other diminutions in the carrying amount of assets.

Consistent negative net outlays on existing assets (bracketed) indicates that, overall, existing assets may be deteriorating at a greater rate than expenditure on their renewal or replacement.

Expenditure to acquire new assets or enhance existing assets to provide expanded, or a higher level of, services.

Amounts received from others specifically to acquire or enhance assets. These amounts are not included as Income above.

Net cost of acquiring or enhancing assets.

Net lending reduces a Council's accumulated level of net financial liabilities. Net borrowing (bracketed) adds to the level of net financial liabilities. Net financial liabilities is measure of a Council's financial position and is calculated by subtracting a Council's financial assets from its total liabilities.

**Attachment 3 – Example report of expenditure by Function/Activity**

<b><i>Expenditure by Function/Activity</i></b>				
	<b>Note</b>	<b>Original Budget \$'000</b>	<b>Revised Budget \$'000</b>	<b>Revised Forecast \$'000</b>
<b>Operating Expenses *</b>				
Governance				
Administration				
Community Services				
Sports & Recreation				
Waste Management & Recycling				
Roads				
Environmental Protection				
Stormwater Drainage				
Regulatory Services				
Parks & Gardens				
Tourism & Economic Development				
Etc				
<b>Total Operating Expenses</b>				
<p>* Expenses above would be based on full-cost attribution and include depreciation. Categories shown here are illustrative examples only. Councils should use their own Strategic Management Plan headings.</p>				
	<b>Note</b>	<b>Original Budget \$'000</b>	<b>Revised Budget \$'000</b>	<b>Revised Forecast \$'000</b>
<b>Capital Expenditure **</b>				
<i>Renewal &amp; Replacement of Assets</i>				
Road reseal Program				
Road resheeting				
Footpath Renewal				
<i>New &amp; Upgraded Assets</i>				
Recreation Centre Upgrade				
Marina development				
Road sealing program				
<b>Total Capital Expenditure</b>				
<p>** These categories are illustrative examples only. This part of the report could include an attachment listing specific projects being undertaken for the year being reported on and their value.</p>				