Financial Management and the Budget

Narration Script

Huon Valley Council | Candidate and Councillor Knowledge Series

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Slide 1 — Title — Financial Management and the Budget

Welcome to Financial Management and the Budget, part of the Huon Valley Council Candidate and Councillor Knowledge Series.

Every service Council delivers depends on money it has to raise itself, plan for over a decade, and account for every year. This module covers how that works.

It is the first of two on Council finances. The companion module covers rates and charges how Council raises the largest part of its income.

Slide 2 — Before You Begin

Council must raise the money before it can spend it, and it must plan for ten years while adopting one at a time.

The Act requires the plan. Sections 70 and 70A require a long-term financial management plan and a financial management strategy, each covering at least ten years, and each consistent with the strategic plan.

And it requires the annual estimates. Section 82 requires budget estimates of Council's revenue and expenditure for each financial year, adopted by Council by absolute majority before the thirty-first of August.

Councillors decide both. Council adopts the long-term plan, adopts the annual budget, and makes the rates and charges that fund it. Those are among the largest decisions Council makes in any year.

And the detail lives elsewhere in this series. How the plans fit together is covered in Strategic Planning. Asset renewal is covered in Asset Management. And rates and charges are covered in the companion module to this one.

Slide 3 — The Long-Term Financial Plan

Council's financial management strategy and long-term financial plan are a single document covering ten years, in the same way the asset management strategy and long-term asset plan were combined.

That one document satisfies both section 70 and section 70A of the Act.

It is reviewed annually rather than every four years. The Act sets four years as the minimum, but Council resolved to review the Plan every year so that it stays relevant and responsive to changes in the economic environment, the regulatory landscape and community needs.

Three strategies sit at its core, and they are worth remembering because everything else follows from them. Moderate underlying surpluses. Sufficient liquidity and cash flow. And asset renewal requirements being adequately funded.

The Plan is a guiding tool rather than a prediction. Its forecasts rest on assumptions that are set out in the document, and Council describes it openly as a living document, constantly reviewed to respond to shifting priorities.

And it is published adopted by Council, placed on the website, and available free of charge at the Customer Service Centre.

Slide 4 — What the Plan Forecasts

The current Plan shows a path from deficit back to sustainability, and it is worth understanding because it is the answer to the question a ratepayer will eventually ask.

There is an underlying deficit now. An underlying deficit for 2026/27, which is an improvement on the year before, with a continued deficit forecast in 2027/28.

Then a return to surplus. Underlying surplus from 2028/29 through 2031/32, a small deficit in 2032/33, and surpluses for the remaining years of the Plan.

Alongside that, an operating surplus in every year of the Plan. The underlying result and the operating result are different measures, and the Plan reports both.

Sound cash balances are maintained for operational and capital purposes, and asset renewal and replacement are fully funded.

Which is the point of the whole exercise. Achieving those things means Council meets all accepted measures of financial sustainability including the benchmarks the Tasmanian Audit Office uses under the Management Indicators Order while still being able to meet community expectations for services.

Slide 5 — Where the Money Comes From

Section 73 lists nine ways a council may raise funds, and one of them dominates.

Rates, fees and charges are Council's largest source of income by a considerable margin. They are the subject of the companion module.

Grants and other allocations come from the State and Commonwealth. Council's own planning notes those programs are tighter and less certain, and increasingly directed to larger cities.

Then property and commercial sources — selling property and assets, leasing or hiring out property, carrying out commercial activities — and the smaller streams of interest and dividends, recoveries, gifts and bequests.

Here is why rates matter so much. Consistent with the role of local government, few services fully pay for themselves. Most need subsidising, in part or in full, from rates income. That is not inefficiency; it is what a council is for.

Slide 6 — Spending and Borrowing

The Act sets clear boundaries on what Council may spend, write off and borrow.

Spending is bounded by the estimates. Council may expend its funds to exercise its powers or carry out its functions, within the estimates adopted under section 82. That is why the budget matters: it is not a forecast, it is an authorisation.

Bad debts can be written off where there is no reasonable prospect of recovery, or where recovery would cost as much as the debt — but only where the Chief Executive Officer has certified that reasonable attempts have been made.

Council may make a grant or provide a benefit to any person other than a councillor, for any purpose it considers appropriate. That includes in-kind assistance, reduced fees or charges, and remission of rates, and the details go in the Annual Report.

Borrowing needs an absolute majority to provide security for a loan, and may not exceed any amount the Treasurer determines for the year.

And there is a hard ceiling. Except with the Minister's approval, Council may not borrow if servicing its total borrowings would exceed thirty per cent of the previous year's revenue, excluding specific-purpose grants.

Slide 7 — The Annual Budget

Section 82 governs the estimates. Council adopts them, and only Council can alter them.

The Chief Executive Officer prepares estimates of Council's revenue and expenditure for each financial year. They must contain five things: estimated revenue, estimated expenditure, estimated borrowings, estimated capital works, and anything else the Minister requires.

They are adopted by Council by absolute majority, with or without alteration, before the thirty-first of August and not more than one month before the year starts. So the window is narrow, and adoption needs an absolute majority rather than a simple one.

Altering during the year works two ways. Council may alter an estimate by absolute majority, but may move money between items within an estimate by simple majority so long as the total is unchanged. Council may also authorise the Chief Executive Officer to make minor adjustments, which must be reported at the next ordinary meeting.

And there is a fallback. If estimates are not adopted in time, Council may authorise the Chief Executive Officer to meet current requirements for July and August only, capped at the previous June's expenditure. That authority ends when estimates are adopted, and never extends past the thirty-first of August.

Slide 8 — Building the Budget

The budget is built across nine months with work commencing as early as October.

Council workshops the composition of the budget with the Executive Leadership Team and employees. For the 2026/27 budget that meant three workshops in October and November, and three more across February, March and May.

The budget is aligned to four things: the Long-Term Financial Plan, the Councillors' four-year objectives, the strategic framework, and Council's risk management framework. Where budget allocations reflect evolving priorities, that is a matter of balancing competing demands across Council's adopted strategies.

Fees and charges come first, set by Council at the May meeting ahead of the budget itself. That sequencing matters, because the fees revenue has to be known before the estimates can be finalised.

Then the estimates and the rates resolution are adopted together at the same meeting in June, because one funds the other.

And risk is assessed explicitly. The budget report identifies risks against Council's risk categories people and culture, ICT and cybersecurity, regulatory and compliance, business continuity, reputation and records the action taken on each. That is the risk management framework doing its job at the point where money is committed.

Slide 9 — Accounts, Audit and Reporting

The year closes with independent scrutiny, and reports back through it.

The Chief Executive Officer keeps records of Council's transactions, activities, assets and liabilities, and each year prepares financial statements and forwards them to the Auditor-General.

Those statements contain specific things: a comparison of actual against estimated revenue and expenditure, a statement of the operating, capital and competitive neutrality costs of each significant business activity with its revenue, and the financial and asset management indicators specified in the Minister's Order — which are the benchmarks the Tasmanian Audit Office uses to measure financial sustainability.

The Chief Executive Officer certifies that the statements fairly represent Council's financial position, results and cash flow, and then ensures they are tabled at a Council meeting as soon as practicable.

The Audit Panel reviews Council's financial system, financial governance arrangements and financial management, along with all plans under Part 7 and the controls safeguarding its long-term financial position.

And Council monitors through the year rather than only at the end — monthly financial reporting against the budget, and quarterly reporting against the outcomes committed to in the Annual Plan.

Slide 10 — What Councillors Do

Financial decisions are among the few councillors make directly and cannot delegate.

Councillors adopt the long-term financial plan and review it, in Council's case annually rather than only every four years.

Councillors adopt the budget, by absolute majority, before the thirty-first of August. By the time the budget arrives for adoption it has been assembled department by department against the Long-Term Financial Plan.

Section 28(2)(e) makes determining and reviewing Council's resource allocation and expenditure activities a councillor function, and section 28(2)(a) adds developing and monitoring the implementation of strategic plans and budgets.

Councillors monitor through the year. The monthly financial reports and quarterly Annual Plan reporting are that function in practice, and they are worth reading rather than noting.

And ask the sustainability question of any budget. Does this move Council toward the surpluses the Plan forecasts, and is asset renewal still fully funded? Those two cover most of what financial sustainability means.

Slide 11 — Five Things to Remember

Five things to take away.

One. Council plans ten years and one year at once. A long-term financial plan over at least a decade, reviewed annually here, and budget estimates adopted every year.

Two. The budget is an authorisation, not a forecast. Council may only expend its funds within the estimates it has adopted, which is why adoption requires an absolute majority.

Three. Few services pay for themselves. Most need subsidising from rates income, in part or in full. That is the role of local government rather than a failure of efficiency.

Four. Borrowing has a ceiling. An absolute majority to provide security, and without the Minister's approval no more than thirty per cent of the previous year's revenue in servicing costs.

Five. The Budget is developed over a long period. By June the budget is assembled and the rates resolution is drafted. October through May is when it can still be shaped.