

# Budget - Statutory Policy

<b>Effective Date</b>	1 July 2024
<b>Policy Owner</b>	Chief Financial Officer
<b>Link to Corporate Plan</b>	Sustainable Organisation
<b>Review Date</b>	Special Meeting of Council Adopt 2025-26 Budget
<b>Related Legislation</b>	1. <i>Local Government Act 2009</i> ; and 2. <i>Local Government Regulation 2012</i> .
<b>Related Documents</b>	1. Investment Policy; 2. Revenue Policy; 3. Debt Policy; 4. Revenue Statement, and; 5. Financial Management and Investment Strategy Policy.

<b>Policy Version</b>	<b>Approval Date</b>	<b>Adopted/Approved</b>
1	20/06/2024	Special Meeting of Council Adopt 2024/25 Budget

*This policy may not be current as Council regularly reviews and updates its policies. The latest controlled version can be found in the policies section of Council's intranet or Website. **A** hard copy of this electronic document is uncontrolled.*

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## 1. PURPOSE

The purpose of this policy is to provide a framework for developing Council's budget and managing subsequent amendments to Council's budget which may be required throughout the year.

## 2. POLICY

### 2.1 Background

Council manages a multi-million-dollar business, delivering a large range of services to the community. It is important that the development of the budget and the management of any amendments to the budget are undertaken in a transparent and efficient manner, which is consistent with Council's *Financial Management and Investment Strategy Policy*.

### 2.2 Budget

The budget shall be prepared in accordance with the financial planning and accountability requirements prescribed by the *Local Government Regulation 2012*.

The budget shall, to the extent possible, meet Council's financial sustainability targets/benchmarks in the budget year and for the remaining nine years of the Long-Term Financial Forecast. The financial sustainability indicators are provided in the following table.

Ratio	Definition	Legislative Target	Council Target
<b>Operating Surplus Ratio</b>	Operating Surplus divided by Operating Revenues	Greater than 0% (five-year average result)	1.0% or greater (for each year of Council's ten-year financial forecast)
<b>Asset Sustainability Ratio</b>	Annual cash expenditure on the replacement of assets divided by annual depreciation expense	Greater than 80% (five-year average result)	Greater than 80% (five-year average result)
<b>Council Controlled Revenue Ratio</b>	Revenue that Council has control over divided by total operating revenues	No targets specified for this ratio	Greater than 60%.
<b>Population Growth Ratio</b>	Population growth/decline pressures on council	No targets specified for this ratio	No targets specified for this ratio
<b>Operating Cash Ratio</b>	Cash operating performance (less depreciation and other non-cash items)	Greater than 0% (five-year average result)	Greater than 0% (five-year average result)
<b>Unrestricted Cash Expense Cover Ratio</b>	Unconstrained liquidity available to council	Greater than 4 months (single year result)	Greater than 4 months (single year result)
<b>Asset Consumption Ratio</b>	Extent to which assets are being consumed	Greater than 60% (five-year average result)	Greater than 60% (five-year average result)

The *Financial Management and Investment Strategy Policy* provides a financial management framework upon which Council's Budget and Long-Term Financial Forecast is developed.

### 2.3 Budget Revisions

The overall intention of a budget review is to review performance and assess Council's financial position in accordance with the long-term financial forecast. The following principles shall be applied when performing budget reviews which are outside of the annual adopt budget:

- (a) One budget review to be completed annually with the review occurring early in the new calendar year. If it is deemed necessary, further reviews or a change in when the review is performed can occur;

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- (b) Council's capital programme to be reviewed based on deliverability at the review, with new projects to be considered and deferral of projects to occur where certainty cannot be provided;
- (c) Continuation of endorsed services levels are to maintain with the purpose of the review to review performance and not a change in services levels. These changes are to occur through the annual budget development process;
- (d) Operational budget adjustments either positive or negative on council's operating position to be reviewed with the change in position to form part of the review; and
- (e) Any revisions to the approved budget must be consistent with Council's *Financial Management and Investment Strategy Policy*.

## 2.4 Amendments to the Budget

Budget amendments may be required during the year outside of a Budget Review. The process for handling various types of amendments is as follows:

Type of Amendment	Process
<b>Operational Amendments</b>	
<b>Negative Impact on Budget</b> Operational adjustments which have a negative effect on Council's overall operating position - (reduces the overall operating position)	Council to approve the budget adjustment. If deemed material by the Chief Executive Officer a councillor information session is to be held. If not material, the adjustment is to be included in a monthly finance report seeking Council approval.
<b>No Impact on Budget</b> Operational adjustments which do not affect Council's overall position - contra adjustments (for example, expenditure moved from one Council department to another)	Contra budget adjustments within zero to ten (10) per cent of the project/budget item total and capped at \$200,000 are to be reported to the Executive Leadership team for approval. Amounts greater than this are to be approved by Council. This is to be done via a monthly finance report.  If deemed material by the Chief Executive Officer a councillor information session is to be held. If not material, the adjustment is to be included in a monthly finance report seeking Council approval.
<b>Expenditure offset with Revenue</b> New operational expenditure which is 100% offset by revenue (for example, a new service offering or project)	Amounts less than \$200,000 to be reported to the Executive Leadership team and delegated to the Chief Executive Officer for approval.  If deemed material by the Chief Executive Officer a councillor information session is to be held. If not material, the adjustment is to be included in a monthly finance report seeking Council approval.
<b>Cancelled Operational Project/ Initiative</b>	Projects/Initiatives proposed to be cancelled are to be reported to the Executive Leadership Team and delegated to the Chief Executive Officer for approval.  If deemed material by the Chief Executive Officer a councillor information session is to be held. If not material, the adjustment is to be noted as a budget saving and noted in the monthly finance report.

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Type of Amendment	Process
<b>Capital Amendments</b>	
<p><b>Increase in Scope</b></p> <p>Increase in scope of an approved capital project</p>	<p>Delegated to the Chief Executive Officer and reported in a subsequent financial report to Council. Prior to approving the adjustment, the Chief Executive Officer must consider the importance and sensitivity of the project to councillors and the community. Where doubt exists, the adjustment should be approved by Council prior to the scope increase being approved.</p>
<p><b>Decrease in Scope</b></p>	<p>Changes in scope are to be reported to the Executive Leadership Team for approval.</p> <p>If deemed material by the Chief Executive Officer a councillor information session is to be held. If not material, the adjustment is to be included in a monthly finance report seeking Council approval.</p>
<p><b>New Capital Project</b></p> <p>(Includes new projects where expenditure is 100% offset by revenue)</p>	<p>Delegated to the Chief Executive Officer and reported in a subsequent financial report to Council, unless it is considered material or of a significant nature. Prior to approving a project, the Chief Executive Officer must consider the importance and sensitivity of the project to councillors and the community. Where doubt exists, the project should be approved by Council prior to the project commencing. The report is to include whole of life costings if the capital project is New or Upgrade and greater than \$50,000.</p>
<p><b>No Impact on Budget</b></p> <p>Capital Budget adjustments which do not affect Council's overall capital budget - contra adjustments (for example, expenditure moved between Council projects)</p>	<p>Contra budget amounts within zero to ten (10) per cent of the project total and capped at \$200,000 to be reported to the Executive Leadership team for approval and reported to Council in a monthly finance report.</p> <p>Amounts greater than this are to be approved by Council. This is to be done via an information session or via a monthly finance report.</p>
<p><b>Deferral or removal of an approved capital project</b></p>	<p>Depending on the nature of a project, a separate information session to be held. Formal approval to be presented to Council for approval via a monthly financial report</p>