

Budget - Council Policy

Effective Date	21 June 2023
Policy Owner	Finance
Link to Corporate Plan	Sustainable Organisation
Review Date	Special Meeting of Council Adopt 2024-25 Budget
Related Legislation	<i>Local Government Act 2009 Local Government Regulation 2012</i>
Related Documents	<ul style="list-style-type: none"> • Investment - Council Policy, • Revenue Policy - Council Policy, • Debt - Council Policy, • Revenue Statement, and; • Financial Management Strategy - Council Policy.

Policy Version	Approval Date	Adopted/Approved
1	19/06/2019	<i>Special Meeting of Council Adopt 2019/20 - 19 June 2019</i>
2	22/07/2020	<i>Special Meeting of Council Adopt 2020/21 - 22 July 2020</i>
3	23/06/2021	<i>Special Meeting of Council Adopt 2021/22 - 23 June 2021</i>
4	22/06/2022	<i>Special Meeting of Council Adopt 2022/23 - 22 June 2022</i>

*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.***



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 Strategy - Council 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
Operating Surplus Ratio	Operating Surplus divided by Operating Revenues	Greater than 0%	1.0%
Asset Sustainability Ratio	Annual cash expenditure on the replacement of assets divided by annual depreciation expense	Greater than 80%	At least 90%. If not 90%, an increase in cash, which is at least the difference between the 90% target and the actual Asset Sustainability Ratio.
Council Controlled Revenue Ratio	Revenue that Council has control over divided by total operating revenues	No targets specified for this ratio	Greater than 60%.
Population Growth Ratio	Population growth/decline pressures on council	No targets specified for this ratio	No targets specified for this ratio
Operating Cash Ratio	Cash operating performance (less depreciation and other non-cash items)	Greater than 0%	1.0%
Unrestricted Cash Expense Cover Ratio	Unconstrained liquidity available to council	Greater than 4 months	Greater than 4 months at 31 December and 30 June each year.
Asset Consumption Ratio	Extent to which assets are being consumed	Greater than 60%	Greater than 60%
Leverage Ratio	Ability to repay existing debt	0-3 times	0-3 times

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

2.3 Budget Revisions

The following principles shall be applied when performing budget reviews:

- (a) Items/projects that potentially have a material impact (either positive or negative) on Council's operating position, proposed projects, and existing projects where the approved budget is likely to be exceeded should form the Budget Review. The overall intention of the Budget Review is to assess the impact of these items/projects on



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Council's operating position and on its finances. This review will occur early in the new calendar year.

- (b) Where an item/project that has a material financial implication is raised/discussed at a Council meeting with a view to either proceed or not proceed with the item/project, a report must be presented so that Council can assess the budget implications prior to approving the item/project.
- (c) Any revisions to the approved budget must be consistent with Council's *Financial Management Strategy - Council Policy*

2.4 Amendments to the Budget

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

Type of Amendment	Process
Operational	
Operational expense adjustments which affect Council's 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.
Operational expense adjustments which do not affect Council's overall position (Contra adjustments (e.g. expenditure moved from one Council department to another. Expenditure which is 100% offset by revenue is not considered a contra adjustment)	Contra budget amounts within zero to ten (10) per cent of the project/budget item 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. 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.
Capital	
Capital Budget adjustments - Increase in scope of an approved capital project	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.
Capital Budget adjustments - New capital project	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 \$100,000.



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Type of Amendment	Process
<p>Capital Budget adjustments- which do not affect Council's overall capital budget (Contra adjustments (e.g. expenditure moved between Council projects. Expenditure which is 100% offset by revenue is not considered a contra adjustment)</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>Capital Budget adjustments - Deferral or removal of an approved capital project.</p>	<p>Presented to Council for approval via a monthly financial report.</p>

