

Budget Policy

Effective Date	<i>1 July 2025</i>
Policy Owner	<i>Chief Financial Officer</i>
Policy Type	<i>Statutory Policy</i>
Link to Corporate Plan	<i>Sustainable Organisation</i>
Review Date	<i>Special Meeting of Council Adopt 2026-27 Budget</i>
Related Legislation	<i>Local Government Act 2009; and Local Government Regulation 2012.</i>
Related Documents	<i>Investment Policy; Revenue Policy; Debt Policy; Revenue Statement; and Financial Management and Investment Strategy Policy.</i>

Policy Version	Approval Date	Adopted/Approved
<i>1</i>	<i>19/06/2025</i>	<i>Special Meeting of Council Adopt 2025-26 Budget</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.

Budget Policy

1. PURPOSE

This policy provides 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 considerable community assets to deliver 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, timely, 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
Operating Surplus Ratio	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)
Asset Sustainability Ratio	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)
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% (five-year average result)	Greater than 0% (five-year average result)
Unrestricted Cash Expense Cover Ratio	Unconstrained liquidity available to council	Greater than 4 months (single year result)	Greater than 4 months (single year result)
Asset Consumption Ratio	Extent to which assets are being consumed	Greater than 60% (five-year average result)	Greater than 60% (five-year average result)
Asset Renewal Funding Ratio	Asset replacement programme performance	No targets specified for this ratio	Greater than 95%
Debt Servicing Capacity	Ability to repay existing debt	0 - 3 times	0 - 3 times

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 (1) operational 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;
- (b) Council's capital programme to be reviewed monthly, with proposed changes to be consistent with the below table (2.4 amendments to budget). When approving a new project or a project which has increased in scope, consideration needs to be given to the impact on cash and whether the project can be delivered within the timeframe provided;
- (c) endorsed services levels are to continue, with the purpose of the budget review being to review performance and not a change in services levels. Service level changes are to occur through the annual budget development process or throughout the year, independently of budget reviews;
- (d) operational budget adjustments, 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. Approval is to be sought prior to commitment or expenditure of Council funds. The process for handling various types of amendments is as follows:

Type of Amendment	Process
Operational Amendments	
Negative Impact on Budget Operational adjustments which have a negative effect on Council's overall operating position, and which are not fully offset by a positive impact – (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 report to council.
Positive Impact on Budget Operational adjustments which have a positive effect on Council's overall operating position – (increases the overall operating position)	Major positive impacts to be reported to the Executive Leadership Team and noted to Council via the monthly finance report.
Expenditure offset with Revenue New operational expenditure which is 100 per cent 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. Amounts, greater than this to be approved by Council. 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 report to council.
No Impact on Budget Operational adjustments which do not affect Council's overall position – contra adjustments	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.

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Type of Amendment	Process
(for example, expenditure moved from one Council department to another)	Amounts greater than this are to be approved by Council. This is to be done via a report to council. If deemed material by the Chief Executive Officer a councillor information session is to be held.
Cancelled Operational Project/ Initiative	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 a report to council.
Capital Amendments	
Increase in Scope Increase in scope of an approved capital project	Delegated to the Chief Executive Officer for approval and presented in a report to Council for information. 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 authorised.
Decrease in Scope Decrease in scope of an approved capital project	Delegated to the Chief Executive Officer for approval and presented in a report to Council for information. 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 decrease being authorised.
New Capital Project	Delegated to the Chief Executive Officer for approval and presented in a report to Council for information. 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.
No Impact on Budget Capital Budget adjustments which do not affect Council's overall capital budget – contra adjustments (for example, expenditure moved between Council projects)	Contra budget amounts within zero to ten (10) per cent of the project total and capped at \$200,000 are to be reported to the Executive Leadership Team for approval and presented in a report to Council for information

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Type of Amendment	Process
	Amounts greater than this are to be approved by Council. This is to be done via an information session or a report to Council.
Impact on Budget	<p>Changes in budget where it has a negative effect on the budget for amounts within zero to ten (10) per cent of the project total and capped at \$200,000 are to be reported to the Executive Leadership Team for approval. Approval must be sought by the Executive Leadership Team prior to the overspend occurring.</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 report to Council.</p>
Deferral or removal of an approved capital project – within the current year programme	Approval to be sought from Council via a report. Depending upon the project, an information session with Council may also be required.
Moving budget for a multi-year project Reallocating budget to current year from a future budget year	Approval to be sought from Council via a report. Depending upon the project, an information session with Council may also be required.