

Budget Policy

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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>04/12/2025</i>	<i>Ordinary Meeting of Council</i>
<i>2</i>	<i>18/06/2026</i>	<i>Special Meeting of Council Adopt 2026-27 Budget</i>

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Budget Policy

PURPOSE

This policy establishes a structured framework for the development of Council's annual budget and outlines the process for managing any adjustments required throughout the financial year.

1. POLICY

1.1 Background

Council manages considerable community assets to deliver a broad range of services to the community. To ensure accountability and alignment with Council's *Financial Management and Investment Strategy Policy*, the development of the budget and subsequent adjustments must be conducted in a transparent, timely and efficient manner.

1.2 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.

1.3 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) formal 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 to when the review is performed can occur;
- (b) Council's capital programme to be reviewed monthly, with proposed changes to be consistent with section 1.4 (Adjustments within the 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 service levels are to continue, with the purpose of the budget review being to review performance and not a change in service 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 section 1.4 (Adjustments within the Budget) as well as the strategic direction of Council and Council's *Financial Management and Investment Strategy Policy*.

1.4 Adjustments within the budget

If an adjustment:

- (a) does not cause the amount of expenditure for an item or category of expenditure provided for in the budget to change;
- (b) does not introduce new operational or capital expenditure to the budget; and
- (c) is less than a total value of \$200,000.00 and within an approved category or allocated item of expenditure;
 - i. the adjustment may be approved by the Chief Executive Officer who is delegated to approve that adjustment. The Chief Executive Officer may delegate that power to an appropriate officer of Council.
 - i. The Chief Executive Officer must report the adjustment to Council at the next available ordinary meeting of Council.
 - ii. 'New operational or capital expenditure' means expenditure not contemplated within an existing item or category of expenditure within the budget.