Budget Framework Policy

1. INTRODUCTION

1.1 The Budget Framework Policy (the **Policy**) provides guidance on roles and responsibilities, timelines, data collection, terminologies, workflows and other relevant components to assist Council, the Senior Leadership Team (**SLT**), Leadership Team (**LT**), Budget Managers (**BMs**) and staff to understand their role in the process.

1.2 The Budget Framework Policy is to be read and implemented in conjunction with Council's other relevant policies, strategies and documents.

1.3 Section 123 of the *Local Government Act 1999* (the **Act**) and *Local Government (Financial Management) Regulations 2011* (the **Regulations**) are prescriptive in their requirements of Council's budget and Annual Business Plan.

2. DEFINITIONS

Financial Sustainability	A Council's long term performance and position is sustainable where planned long-term service, infrastructure levels and standards are met without planned increases in rates or disruptive cuts to services.
Recurrent Budget	The required budget under the control of the Chief Executive Officer for the continued day to day operations of Council and its base service level delivery. A summary of the income and expenditure is provided to Council. All budget figures will be realistic, based on best available information.
Project Budget	Any proposed discretionary services where the expenditure is costed to the operating statement with no ability to capitalise to the capital expenditure budget.
Capital Expenditure	Expenditure items that provide an economic life beyond the current year. Items are allocated between New/Upgrade and Replacement/Renewal as defined in the Australian Infrastructure Financial Management Guidelines.

Budget Bid	A submission made by a staff member of Council for consideration in the budget process. Budget Bids are made for both the Project Budget and Capital Expenditure requests that are not derived from the Infrastructure Asset Management Plans (IAMP).
Non-Discretionary vs Discretionary	Budget Bids are categorised into either Discretionary or Non-Discretionary. Non-Discretionary bids are based on previous commitments of Council (usually a resolution), IAMPS, legislative or contractual requirements. All bids not meeting these items are discretionary in nature.
Zero-based Budgeting	is a strategic financial method where every expense must be justified for each new period, starting from a "zero base" rather than adjusting previous budgets.

3. POLICY STATEMENTS

3.1 The budget is to be prepared in conjunction with the Council's Annual Business Plan and adopted between 31 May and 15 August for the ensuing financial year. It must comply with the requirements, standards, and principles prescribed under the Act and associated Regulations. The budget will include budgeted financial statements presented, excluding notes and explanatory information, in a format consistent with the Model Financial Statements.

3.2 The budget must also disclose whether projected operating income is sufficient to meet projected operating expenses for the financial year and provide a summary of operating and capital investment activities presented in accordance with the Uniform Presentation of Finances.

3.3 As part of the budget process, Council will prepare an Annual Business Plan (**ABP**) outlining the activities to be undertaken in the forthcoming year to achieve Council's objectives, together with the key performance indicators used to measure performance.

3.4 At a minimum, Council's key performance indicators will include estimates of the operating surplus ratio, asset renewal funding ratio, and net financial liabilities ratio, presented in a manner consistent with the Financial Indicators note in the Model Financial Statements.

3.5 The budget will be developed using a zero-based budgeting approach in its initial stages and subsequently assessed and refined having regard to the Long Term Financial Plan (**LTFP**), corporate strategic plans and objectives, Council's budget assumptions, and Community Plan outcomes. The LTFP and ABP are prepared within a single, integrated framework that is reviewed annually and aligned with the objectives of Council's Strategic Plan. This framework incorporates the assumptions and variables underpinning the development of the LTFP and Annual Budget and is supported by the following budget principles.

3.1.1 Honest and Accountable

We will be honest and accountable in all aspects of the budget process, meeting the community's expectations of transparency and openness with a reporting framework that supports and enhances this.

3.1.2 Strategic Approach

Council may approve budget funding in-principle commitments of up to two (2) years for capital or operating projects where, during the development of the LTFP or the annual budget process, where it is identified that a project:

- extends over multiple financial years due to its scale or nature; and/or
- requires early funding commitment outside the standard budget cycle to support effective planning, operational efficiency, and value for money.

All such projects and associated funding commitments will be clearly identified by Administration and expressly listed within the budget adoption recommendations.

Council will actively pursue external grant funding opportunities to having regard to asset whole of life costs.

3.1.3 Long Term Financial Plan

A 10-year LTFP will reinforce the delivery and achievement of Council's long term strategic objectives in a sustainable manner.

The LTFP should be aligned to the Asset Management Plans thereby identifying funding requirements and assessing the adequacy of existing funding capacity.

All programs will be regularly reviewed to ensure they fit within the Council's financial framework including key performance indicators which include the operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

3.1.4 Realistic Budgeting

All budget figures will be realistic, based on the best available information and utilise a zero-based budgeting where appropriate.

3.1.5 Meet Long Term Liabilities

Each budget should be fully funded and reconciled on an accrual and cash basis. While individual years may fluctuate, the long-term financial plan will be developed to achieve the average of the KPI targets across the ten years, in addition to individual year targets. The Audit Committee will make recommendation to Council each year on appropriate KPI targets prior to the formulation of the LTFP and Annual Budget.

3.1.6 Rates Impost

Rates will be set at a level having regard to the Council's strategic directions and its social and economic objectives balanced against the community's ability to pay. Sustainable rate increases avoid a "rates shock" which results in a sudden, substantial increase in rates that makes it difficult for customers to pay their bills.

3.1.7 Avoid Cost Shifting

We will resist pressure to accept cost shifting from other levels of government.

3.1.8 New Initiatives

All new initiatives will be evaluated in terms of meeting Council's strategic directions.

3.1.9 Asset Sales and Debt

The operational budget will be structured such that there is no reliance on asset sales to fund core services. Debt will be regarded as a tool to be used in a strategic perspective to achieve the provision of services to the community. Debt will be considered:

- In the context of the strategic objectives of Council
- In the context of long-term financial forecasts and objectives
- As funding for long term infrastructure asset creation
- As a means of spreading the cost of infrastructure over the ratepayers who use it
- As a mechanism to fund temporary cash shortfalls

3.1.10 Financial Control

We commit to ensuring that financial and other resources under our control will be used only for approved purposes and aligned with Council's strategic framework and that all risks to Council's finances are properly managed.

3.1.11 Budget Management

To ensure the Budget is managed by Administration appropriately, the Chief Executive Officer will hold monthly meetings with relevant budget manages and financial consultant to review the operations, expenditure and performance of each business unit to ensure alignment with set annual budgets.

3.1.12 Budget Review

Budget performance will be reviewed by the Chief Executive Officer and relevant budget managers at the following times during each financial year:

- **30 September (Budget Review 1):** Reported to Council following receipt of the audited financial statements for the previous financial year.
- **31 December (Budget Review 2):** Presented to the Audit and Risk Committee prior to adoption by Council.
- **31 March (Budget Review 3).**

As soon as practicable after each review date, the Chief Executive Officer will present a report to Council, in accordance with the Regulations, comparing budgeted and actual performance. The report

will include explanations for significant variances and seek Council approval where required.

The **30 September** and **31 March** reviews will include revised forecasts of operating and capital investment activities for the financial year, compared with the estimates adopted in the budget, presented in a format consistent with the *Uniform Presentation of Finances*.

The **31 December** review will include revised forecasts for each item in the budgeted financial statements, presented in a manner consistent with the *Model Financial Statements*. It will also include revised forecasts of the operating surplus ratio, net financial liabilities ratio, and asset renewal funding ratio, presented in accordance with the *Financial Indicators* note.

Following completion of the audited financial statements for each financial year, a comparison will be prepared between actual results and the original budget adopted by Council, including explanations for material variances.

Budget reviews provide an opportunity to address changed circumstances or new events arising after budget adoption. Where a proposed variance:

- affects an item in the budgeted financial statements;
- varies an approved capital or operating project budget; or
- alters existing service levels,

the variance must be submitted to Council for approval, with supporting reasons.

Quarterly budget reviews must not materially erode the financial indicators position adopted as part of the original budget. Cost overruns must be offset by corresponding savings where possible, and new initiatives or service requests must be funded by reductions to existing approved projects or services.

Surplus funds will be applied to the reduction of existing debt or to avoid the need for future planned borrowings, unless Council resolves to apply the surplus to a specific purpose, such as addressing legislative requirements, funding cost overruns, or accelerating works identified in adopted Asset Management Plans.

Any newly identified projects must be considered as part of the annual budget process to ensure they are assessed alongside all other budget submissions.

3.1.13 Carry forward Projects from Previous Year

Funding approval for budgeted projects not fully expended by the end of a financial year will lapse unless Council approves the carry forward of the project and its associated budget.

Operating budgets not expended within the financial year will not be carried forward, unless the activity is externally funded and the funding would be forfeited if not completed. Identifiable operating projects that do not commence or are not substantially completed within the budgeted year will be reassessed as part of the draft budget process for the following financial year.

Capital projects that are not substantially commenced within the financial year will be reconsidered against other competing priorities during the preparation of the draft budget for the following year.

Where practicable, Budget Review 3 will identify projects that are unlikely to be completed by 30 June and recommend their removal or adjustment for the current financial year to enable consideration for inclusion in the subsequent draft budget.

4. LEGISLATION AND STANDARDS

This policy is informed by and gives the effect to the requirements of:

- *Local Government Act 1999 (SA)*
- *Local Government (Financial Management) Regulations*
- *Guidelines issued by the Minister for Local Government*
- *Local Government Association of South Australia Model Financial Statements and Uniform Presentation of Finances*

5. AVAILABILITY OF THE POLICY

This policy will be available for inspection at the Council office, 11 Railway Terrace Karoonda, during ordinary business hours and available to be downloaded, free of charge, from Council's website: www.dckem.sa.gov.au. Copies will be provided to interested parties upon request. Email council@dckem.sa.gov.au grievances in relation to this policy or its application

should be forwarded in writing addressed to the Chief Executive Officer of Council.

6. DOCUMENT AND ADMINISTRATION CONTROL

COUNCIL POLICY	
Policy title:	Budget Framework Policy
Responsible officer:	Chief Executive Officer
Version:	1
Committee review:	Audit & Risk Committee
First issued / adopted:	February 2026
Review frequency:	With 12 months following a Local Government General Election or as required by legation.
Next review date:	February 2030
Applicable legislation / related documents:	*Local Government Act 1999* *Local Government (Financial Management) Regulations 2011* *LGA Model Policy*