



Annual Budget Policy

Reference Number:	3.1
Type:	Council
Category:	Corporate Services
Relevant Community Vision Outcome:	<u>Responsible Governance</u> We will manage our city in a sustainable and affordable way with responsible governance. <u>Excellence in Customer Experience and Service Provision</u> We will foster an organisational culture focused on continuous improvement and delivering excellence in customer experience and service provision.
Responsible Officer(s):	Manager Financial Services
First Issued/Approved:	August 2008
Minutes Reference:	CoS 03/08/2026, Item 4.2
Last Reviewed:	August 2026
Next Review Due:	August 2028
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Related Policies:	Long-Term Financial Plan Policy
Related Procedures:	Budget Review Procedure; Overview of Long-Term Financial Plan and Budget Process

1. Purpose

The Local Government Act 1999 prescribes that a council must adopt for each financial year.

- (1) An annual business plan
- (2) A budget.

This Policy seeks to endorse these requirements to ensure compliance with the Act.

2. Scope

This covers the annual budget requirements for the City of Charles Sturt.

3. Policy Statement

The budget must be considered in conjunction with the Council's Annual Business Plan and be adopted after 31 May and, except in a case involving extraordinary administrative difficulty, before 15 August for the financial year. The budget must comply with the standards and principles prescribed by the regulations under the Local Government Act 1999. The budget shall include budgeted financial statements, which must be presented, other than notes and other explanatory documentation, in a manner consistent with the Model Financial Statements.

The budget must also state whether the projected operating income is sufficient to meet projected operating expenses for the relevant financial year and include a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances.

As part of the budget process Council will prepare an Annual Business Plan which will address the activities the Council intends to undertake in the ensuing year to achieve its objectives and the key performance indicators that Council will use to assess its performance against its objectives.

Council's reportable key performance indicators include the operating surplus ratio, asset sustainability ratio, interest coverage ratio and net financial liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

A zero-based budgeting approach will be the basis of preparation for Council's annual budget. Long-Term In reviewing and refining the annual budget, Council will consider its Long-Term Financial Plan, Asset Management Plans, corporate strategic plans and objectives and Community Vision Outcomes.

The following principles will underpin the budget development:

1. Honest and Accountable

Council will conduct the budget process with honesty, accountability and transparency, underpinned by a clear reporting framework that promotes openness and community confidence.

2. Strategic Approach

Council will take a strategic approach to budget decision-making by aligning services, programs, capital works and new initiatives with Council's strategic directions and Community Vision Outcomes.

Expenditure proposals will be assessed having regard to service delivery priorities, expected benefits, whole-of-life costs, funding requirements, risks and long-term financial sustainability.

3. Long-Term Financial Planning

A 10-year Long-Term Financial Plan (LTFP) will reinforce the delivery and achievement of Council's strategic objectives in a sustainable manner. All programmes will be regularly reviewed to ensure they fit within the Council's financial framework, including key performance indicators as noted above.

4. Realistic Budgeting

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

5. Meet Long-Term Liabilities

Each budget will be fully funded and reconciled on an accrual and cash basis. An asset renewal funding ratio of >80% is the desired target for expenditure on infrastructure assets. Adequate provisions will be made to meet Council's long-term liabilities with the net financial liabilities ratio <100%. Council will aim to achieve a sustainable operating surplus ratio of $\geq 0\%$ and $\leq 10\%$.

6. Affordable Rates

Council will seek to set rates at an affordable and sustainable level, balancing the City's strategic directions, social and economic objectives, service delivery needs and long-term financial sustainability with the community's ability to pay. To support this principle, Council will aim to avoid 'rates shock', defined as total rate revenue increases, excluding growth, exceeding twice the CPI increase for three or more consecutive years where there is no material change in service levels.

7. Avoid Cost Shifting

Council will carefully assess any proposed transfer of responsibilities, services or costs from other levels of government to ensure the financial impacts are clearly understood, appropriately funded and do not compromise Council's long-term financial sustainability or service delivery priorities.

8. Asset Sales and Debt

Council will not rely on asset sales to fund core operating services.

Debt may be used as a strategic financial tool where it supports the achievement of Council's objectives, is consistent with long-term financial forecasts, and contributes to the delivery of long-term infrastructure or other intergenerational assets. Borrowings may also be used to manage temporary cash flow requirements where appropriate. In considering the use of debt, Council will have regard to affordability, service delivery priorities, intergenerational equity, risk and the impact on Council's financial indicators.

A net financial liabilities ratio of less than 100% of operating revenue is considered an acceptable benchmark.

9. Financial Control

Council will maintain a robust financial control environment to ensure financial and other resources are used only for approved purposes, within delegated authority and in alignment with Council's strategic framework. Appropriate systems, processes, oversight and reporting will support accountability, safeguard Council resources and ensure financial risks are identified and managed effectively.

10. Quarterly Budget Reporting and Reviews

As soon as practicable after each financial quarter end, the General Manager Corporate Services or Manager Financial Services will present a report to Council, through the Corporate Services Committee, comparing actual performance against budget and explaining significant variances.

Budget reviews will occur as part of September, December and March financial quarter reports. As part of this process, the original adopted annual budget will be adjusted for identified changes for endorsement by Council.

Budget reviews provide a formal mechanism to recognise material changes in circumstances since adoption of the annual budget. Proposed amendments that affect Council's budgeted financial statements or alter an approved capital or operating project budget must be supported by appropriate reasons and presented to the Corporate Services Committee for recommendation to Council.

Quarterly budget reviews will provide Council with a complete overview of material budget movements and their forecast impact on Council's financial position and financial indicators. Proposed amendments will be assessed in the context of Council's adopted budget, service delivery priorities, legislative obligations and long-term financial sustainability. Where cost pressures, new projects or changes to service levels are identified, the review will outline the reasons for the proposed change, available funding options and any offsetting savings or reprioritisation opportunities.

Where a budget review identifies surplus funds, Council will consider the most appropriate use of those funds having regard to debt management, legislative requirements, approved project cost pressures, Council resolutions, opportunities to bring forward planned works from adopted Asset Management Plans and other clearly documented strategic or economic priorities. Asset renewal works may be brought forward where they are identified in the relevant adopted Asset Management Plan or supported by an approved business case or annual project budget bid.

Where a budget review has occurred, actual performance will be compared to the most recent revised budget.

For each budget review undertaken during the financial year, the review must include revised forecasts of each item shown in Council's budgeted financial statements for the relevant year, compared with the estimates adopted in the original budget, and presented in a manner consistent with the Model Financial Statements. The review must also include revised forecasts for the relevant financial year of Council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio, compared with the estimates adopted in the original budget and presented in a manner consistent with the Financial Indicators note in the Model Financial Statements.

Following completion of the audited annual financial statements, Council will prepare a comparison of the audited results against the original budget adopted for that financial year, including explanations for material variances.

4. Definitions

Key Term	Definition
Model Financial Statements	The model presentation format for South Australian councils' annual financial statements, budgets, budget reviews and long-term financial plans, prepared to support consistent reporting in accordance with the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.
Operating surplus ratio	This ratio expresses the operating surplus (operating revenues less operating expenses) as a percentage of operating revenue. The set target range of ensures intergenerational equity.
Asset renewal funding ratio	This ratio indicates whether Council's capital expenditure on asset renewal/replacement of existing assets is what is needed to cost effectively maintain service levels as prescribed in Council's adopted Asset Management Plans. Ensures cost-effective management of asset renewals without compromising service.
Net financial liabilities ratio	Measures net financial liabilities as a percentage of total operating revenue. A measure of financial sustainability, demonstrating sufficient capacity to meet Council's financial commitments.
Interest Coverage Ratio	Measures Council's capacity to meet interest costs on borrowings from its operating result and is used to assess debt servicing affordability.