

1 Policy Statement

This Policy provides a framework for the preparation, adoption, management and review of Council's Annual Budget.

The Policy supports sound financial management, transparent decision-making, clear accountability and the Council's continued financial sustainability.

2 Scope

This Policy applies to:

- the preparation, consideration and adoption of the Annual Budget;
- the management of the adopted budget during the financial year;
- Revised Forecasts;
- Budget Variations;
- Carry Forward budgets;
- financial reporting; and
- Council reports or decisions that have financial implications.

This Policy applies to Council Members, Council employees and any other person involved in preparing, managing, reviewing or reporting on the Council's budget.

3 Legislation and References

This Policy should be read in conjunction with:

- Council's Budget Management Procedure;
- *Local Government Act 1999*;
- *Local Government (Financial Management) Regulations 2011*;
- *Local Government (General) Regulations 2013*;
- Community Engagement Policy;
- Town of Gawler Long Term Financial Plan;
- Town of Gawler Asset Management Plans;
- Treasury Management Policy;
- Prudential Management Policy;
- Internal Financial Control Policy;
- Expenditure Policy;
- Procurement Policy;
- Delegations Register; and
- any other relevant Council policy, procedure or legislative requirement.

4 Definitions

For the purposes of this Policy the following definitions apply:

Annual Business Plan	means the annual business plan adopted by Council for a financial year in accordance with the <i>Local Government Act 1999</i> .
Annual Budget	means the annual budget adopted by Council for a financial year in accordance with the <i>Local Government Act 1999</i> , which sets out Council's estimated operating and capital income and expenditure, financial position, funding sources and financial indicators.
Appropriate Approval	means an approval that authorises expenditure outside, or in addition to, an existing approved budget allocation, where the approval is given in accordance with legislation, Council resolution, Council's Delegations Register, Financial Delegations, this Policy and the Budget Management Procedure. Appropriate approval may include an approved budget variation, a Council decision outside the Annual Budget or Revised Forecast process, approved emergency expenditure, or approval to expend external funding such as grant funding. Appropriate approval must identify the funding source and must not create an ongoing unfunded commitment unless approved by Council.

Asset Management Plan	means a strategic document that sets out how the Council's infrastructure and other assets are to be managed over the relevant planning period.
Asset Sustainability Ratio	means the ratio that indicates whether the Council's expenditure on renewal and replacement of existing assets is consistent with the level required to maintain service levels identified in the Asset Management Plans.
Budget Variation	means an amendment to the adopted or revised Annual Budget.
Capital New or Upgrade	means expenditure that creates a new asset, or upgrades an existing asset to provide additional capacity, function, standard or service level.
Capital Renewal or Replacement	means expenditure on an existing asset that renews, restores or replaces the asset to maintain its existing service level, without materially increasing capacity or function.
Carry Forward	means an approved budget allocation for a project, program or initiative that is transferred from one financial year to the next due to timing, contractual, delivery or other approved reasons.
Financial Sustainability	means the Council's ability to maintain its long-term financial performance and position so that planned services and infrastructure can be delivered without unplanned rate increases, disruptive service reductions or unsustainable debt levels.
Long Term Financial Plan	means the Council's 10-year financial plan, which supports the achievement of the Council's strategic objectives and informs annual budget decisions.
Net Financial Liabilities Ratio	means the ratio that indicates the extent to which the Council's net financial liabilities can be funded by the Council's total operating revenue.
Operating Budget	means the total budget for operating income and expenditure, including the Recurrent Budget and new Operating Initiatives.
Operating Initiative	means a new or expanded operating activity, program or service that does not result in the creation of a capital asset, and is generally one-off, time-limited or subject to separate Council consideration.
Operating Surplus or Deficit	means the result calculated by deducting the Council's operating expenses from the Council's operating income.
Operating Surplus Ratio	means the operating surplus or deficit expressed as a percentage of operating revenue.
Recurrent Budget	means the annual income and expenditure required to provide the Council's ongoing services and activities at agreed service levels.
Revised Forecast	means a formal review of the adopted or revised Annual Budget during the financial year, including revised forecasts for operating and capital investment activities, budgeted financial statements and relevant financial indicators, where required by legislation. Once adopted by Council, the Revised Forecast forms part of Council's revised Annual Budget.
Underlying Operating Result	means Council's Operating Surplus or Deficit adjusted to exclude items that are not considered to reflect normal ongoing operations, including grant funding that is capital in nature but required to be recognised as operating income, regional subsidiary results and material one-off or non-recurring items.

5 Policy

5.1 Annual Budget Preparation

- 5.1.1 An Annual Budget will be prepared each financial year for Council's consideration and adoption in accordance with legislative requirements.
- 5.1.2 The Annual Budget will be prepared in conjunction with Council's Annual Business Plan and must be consistent with the Annual Business Plan adopted by Council.
- 5.1.3 The Annual Budget will include financial statements, estimates, financial indicators and other information required by legislation.
- 5.1.4 The Annual Budget will set out the Council's estimated recurrent income and expenditure, new Operating Initiatives, capital income and expenditure, funding sources, borrowings and financial position for the relevant year.
- 5.1.5 The Annual Budget will be prepared having regard to the Long Term Financial Plan, Asset Management Plans, Annual Business Plan objectives, service levels, rating considerations, Financial Sustainability targets and any other relevant budget assumptions or parameters.
- 5.1.6 The preparation of the Annual Budget will align with the timetable and parameters established for the Annual Business Plan process, including requirements for Council Member input, Audit and Risk Committee review, and community consultation.

5.2 Budget Preparation Principles

In preparing the Annual Budget, regard will be given to the following principles:

- Realistic budgeting - budget estimates, including Recurrent Budget and new Operating Initiatives, will be based on the best available information and reasonable assumptions at the time of preparation.
- Financial Sustainability - the budget will be developed with regard to the Long Term Financial Plan and adopted financial targets.
- Rates Affordability - rates will be set at a level that supports the delivery of services, infrastructure and strategic priorities, while having regard to the community's capacity to pay.
- Service Levels – Recurrent Budget allocations will be informed by agreed service levels, legislative obligations, risk, asset management requirements and strategic priorities.
- Growth - the budget will have regard to the operating, capital and service impacts of growth.
- Asset Renewal and Replacement - funding for asset renewal and replacement will be informed by Asset Management Plans.
- New and Upgraded Assets – Capital New or Upgrade projects will be considered with regard to strategic alignment, relevant Asset Management Plans, whole-of-life costs, service level impacts, risk, affordability, future renewal and maintenance requirements, and implications for the Long Term Financial Plan.
- Borrowings – borrowings will be used prudently and primarily for long-term asset creation, strategic investment, or asset renewal brought forward from future years, and not to fund Recurrent Budget and Operating Initiatives.
- Asset Sales - proceeds from major asset sales provide funding for new and renewed assets and should not be used to fund recurrent services.
- Cost Shifting – the Council will seek to avoid accepting cost shifting from other levels of government unless an appropriate funding source is identified or Council has considered and accepted the financial impact.

5.3 Annual Budget Adoption

- 5.3.1 Council will adopt the Annual Budget each financial year within the timeframe prescribed by legislation.
- 5.3.2 The Annual Budget must be adopted after Council has adopted the Annual Business Plan for the relevant financial year.
- 5.3.3 The Annual Budget must be considered in conjunction with, and be consistent with, the adopted Annual Business Plan.

5.4 Budget Management

- 5.4.1 Council recognises that the adopted Annual Budget is based on the best available information at the time it is prepared.
- 5.4.2 During the financial year, circumstances may arise that require the Annual Budget to be revised or amended. Budget management will be guided by the following principles:
 - expenditure should be incurred only where it is included in the adopted or revised Annual Budget, or where Appropriate Approval has been obtained in accordance with legislation, delegation, this Policy and the Budget Management Procedure before the expenditure is committed;
 - income and expenditure should be managed within approved budget allocations;
 - emerging budget pressures should be identified and reported as early as possible;
 - expenditure overruns should be offset by savings, reduced approved expenditure or additional income where practical;
 - income shortfalls should be offset by expenditure savings where practical;
 - new recurrent expenditure should not be approved unless supported by recurrent funding, increased income or an identified reduction in recurrent expenditure;
 - new Operating Initiatives should be separately identified and supported by an approved funding source;
 - Budget Variations should be transparent, justified and appropriately approved;
 - budget decisions should have regard to Council's adopted financial targets and Long Term Financial Plan; and
 - the Council should not commit to works, services, operations or projects unless an appropriate funding source has been identified.
- 5.4.3 Employee cost changes, including staff reclassifications, must be managed in accordance with the adopted or revised Annual Budget and the Budget Management Procedure. Finance review is required before approval is sought or any commitment is made. Staff reclassifications must be approved by the Chief Executive Officer.

5.5 Fiscal Discipline

Once the Annual Budget has been adopted, the Council will seek to maintain fiscal discipline by ensuring that:

- new recurrent expenditure is avoided unless it is funded by recurrent income or offsetting savings;
- savings from completed or reduced Operating Initiatives are returned to the overall budget position unless otherwise approved;
- income shortfalls are actively managed;
- capital projects are delivered within approved budgets where practical;
- proposed increases in borrowings are considered by Council before being committed; and
- Financial Sustainability indicators continue to be monitored.

5.6 Revised Forecasts

- 5.6.1 Revised Forecasts will be prepared during the financial year in accordance with legislative requirements.
- 5.6.2 Revised Forecasts will be presented to the Audit and Risk Committee for review and comment prior to being considered by Council, unless timing or operational requirements make this impractical.
- 5.6.3 Revised Forecasts will be prepared and presented at the times and in the form required by legislation.
- 5.6.4 Where required by legislation, Revised Forecasts will include forecasts for the Council's operating and capital investment activities, budgeted financial statements and relevant financial indicators.
- 5.6.5 Once adopted by Council, a Revised Forecast forms part of the revised Annual Budget for the relevant financial year.

5.7 Budget Variations

- 5.7.1 Budget Variations must be approved in accordance with legislation, delegations and the Budget Management Procedure.
- 5.7.2 Council approval is required where a proposed variation would:
 - change the adopted or revised Annual Budget;
 - approve expenditure not contained within an adopted or revised Annual Budget;
 - materially change the scope or intent of an approved project, service or initiative;
 - increase approved borrowings;
 - create a new operating commitment without an approved funding source;
 - transfer funding from Capital Renewal or Replacement to Capital New or Upgrade;
 - introduce a new capital project not previously approved by Council; or
 - otherwise require Council approval under legislation, delegation or policy.
- 5.7.3 Administrative transfers between budget lines may be approved under delegated authority where the transfer is consistent with the adopted or revised Annual Budget, does not materially change the scope or intent of an approved service, project or initiative, does not create an ongoing unfunded commitment, and is approved in accordance with the Budget Management Procedure.

5.8 Operating Initiatives

- 5.8.1 New Operating Initiatives are separate from Recurrent Budget allocations and should be separately identified in the Annual Budget or relevant Council report.
- 5.8.2 New Operating Initiatives that were not included in the adopted Annual Budget should be considered by Council before being included in a Revised Forecast.
- 5.8.3 Where a new operating initiative creates recurrent expenditure, the report to Council must identify the recurrent funding source or offsetting recurrent savings.
- 5.8.4 Where the cost of an approved operating initiative is reduced, savings should be returned to Council's overall budget position unless Council approves an alternative use.

5.9 Capital Projects

- 5.9.1 Capital Renewal and Replacement projects should be informed by the Asset Management Plans.
- 5.9.2 Funding allocated for Capital Renewal or Replacement must not be transferred to Capital New or Upgrade projects unless approved by Council.
- 5.9.3 Where a Capital Renewal or Replacement project is proposed to be removed, deferred or substituted, consideration must be given to asset condition, risk, service level impact, delivery capacity, funding availability, the Asset Sustainability Ratio and the Long Term Financial Plan.
- 5.9.4 Capital New or Upgrade projects that were not included in the adopted Annual Budget should be considered by Council before being included in a Revised Forecast.
- 5.9.5 Capital New or Upgrade projects should be supported by appropriate financial and asset management information, including whole-of-life cost implications where relevant.

5.10 Borrowings

- 5.10.1 Council will authorise borrowings and other forms of financial accommodation through the adopted Annual Budget.
- 5.10.2 Any proposed increase to approved borrowings during the financial year must be considered by Council.
- 5.10.3 Borrowings will be used prudently and primarily for long-term asset creation, strategic investment, or asset renewal brought forward from future years, and not to fund recurrent operating expenditure or Operating Initiatives.

5.11 Carry Forwards

- 5.11.1 Carry Forwards may be considered where an approved project, program or initiative has not been completed by the end of the financial year due to timing, delivery, contractual or other reasonable circumstances.
- 5.11.2 Carry Forwards are not automatic.
- 5.11.3 Unspent Recurrent Budgets will not be carried forward.
- 5.11.4 Unspent budgets for completed projects, programs or initiatives will not be carried forward unless separately approved by Council.
- 5.11.5 Carry Forwards must be approved by Council either as part of the subsequent year's Annual Budget adoption or through the first Revised Forecast for that financial year.

5.12 Council Reports with Financial Implications

- 5.12.1 Council reports that include recommendations with financial implications must identify the estimated financial impact, whether there is an existing approved budget, the proposed funding source, whether the impact is recurrent or one-off, any ongoing financial impact and any material risk or service level implications.
- 5.12.2 Recommendations should not commit the Council to expenditure unless a funding source has been identified or the matter is presented to Council for a decision on funding.
- 5.12.3 Where an item with financial implications is raised without sufficient supporting information, a further report should be provided before Council makes a decision that commits the Council to expenditure, reduced income, additional borrowings or a material change in service level.

5.13 Financial Targets and Sustainability

- 5.13.1 The Council's financial performance and position will be monitored with reference to the financial indicators adopted in the Long Term Financial Plan and Annual Budget.
- 5.13.2 Budget decisions and Revised Forecasts will have regard to the following indicators:
 - Operating Surplus Ratio: an operating result of 0% or greater in any financial year, with a five-year rolling average between 0% and 5%;
 - Asset Sustainability Ratio: between 90% and 110% on a rolling three-year average;
 - Net Financial Liabilities Ratio: not exceeding 100%; and
 - any other financial indicator adopted by Council or required by legislation.
- 5.13.3 The Underlying Operating Result may be reported as a supplementary measure to assist Council and the community to understand Council's ongoing operating performance. The Underlying Operating Result does not replace the operating result, statutory financial statements or Council's adopted financial indicators.
- 5.13.4 Council acknowledges that financial indicators may fluctuate from year to year due to timing of capital works, grant funding, asset renewal requirements, growth, borrowings and other financial impacts.
- 5.13.5 Where a budget, Revised Forecast or financial decision is expected to result in a financial indicator falling outside the target range, the report to Council should identify the reason, the financial impact and any proposed mitigation or longer-term strategy.
- 5.13.6 Council will seek to ensure that budget decisions support long-term Financial Sustainability and do not create unreasonable financial risks for future years.

5.14 Internal Controls and Reporting

- 5.14.1 Internal financial controls will be maintained to support effective budget management, budget monitoring, Budget Variations and financial reporting.
- 5.14.2 Regular financial reporting will be provided to management to support timely monitoring of budget performance.
- 5.14.3 Monthly financial reports will be presented to Council to provide oversight of financial performance against the adopted or revised Annual Budget, including material Budget Variations and any emerging financial risks.
- 5.14.4 Revised Forecasts will be presented to Council in accordance with legislative requirements.

6 Administrative Information

Document Type	Policy
Policy Developer	Manager Finance and Procurement
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Category	Finance
Adopted & effective Date	25 August 2026
Applicable Legislation	Local Government Act 1999
Review due by	August 2030
Adopting Authority	Council

7 Version History

Revision	Date	Change
1	26 August 2026	Combined the previous Budget Management Policy and Budget Review Policy into a single Budget Management Policy. The revised Policy consolidates requirements for Annual Budget preparation, adoption, management, revised forecasts, budget variations, carry forwards, financial reporting and financial sustainability targets. Operational detail has been moved to a supporting Budget Management Procedure and terminology has been updated to align with legislative reporting requirements.