Policy
Strategic Budget

Policy Category	Financial Management
Responsible Directorate	Corporate Services
Responsible Business Unit	Financial Services
Relevant Legislation	*Local Government Act 1995*

1. Objective

To establish clear principles and guidelines for Council and City staff for strategic financial management to assist in:

- Robust, transparent Long Term Financial Planning (LTFP) processes.
- Responsible and accountable budgeting.
- Responsible stewardship of the City's assets, ensuring the resources of the City are well protected and used efficiently to accomplish the objectives of the City.
- Providing intergenerational equity.
- Prudent rate setting that reflects community's needs and aspirations, in the context of providing a forward rating outlook and incorporating funding commitments as outlined in the LTFP.
- Developing sustainable non-rates income streams.
- Ensuring fees and charges recover actual and reasonable costs unless there are valid reasons not to do so, in terms of policy or community expectations.

2. Policy

This policy sets out the parameters for the development of the City's LTFP, Annual Budgets and the setting of Fees and Charges in accordance with the Local government Act 1995 and Local Government (Financial Management) Regulations 1996.

This policy will be reviewed periodically at the early stage of the annual planning and budgeting process to ensure it is appropriate and relevant to the current economic climate and compliant with all relevant legislative requirements.

3. Influencing Strategies or Plans

The City must plan for the current and future needs of its community in a socially, culturally, environmentally, and financially sustainable manner, through integration of the City's Council Plan, LTFP and Annual Budgets.

1. Stewardship and Accountability
    - To be financially accountable, the City will adopt and follow sound financial and risk management policies and practices, make good management decisions and plan for the future of the City, taking a balanced approach to current and future revenue and expenditure.
    - The City acknowledges the importance of financial integrity and where appropriate, this policy is supported by relevant management procedures.

2. Long Term Financial Planning (LTFP)
    - The LTFP will be formulated to implement the strategies and objectives outlined in the City's Council Plan, Asset Management Plans (AMPs), Workforce Management Plan and other relevant informing strategies and resourcing plans.

3. Intergenerational Equity
    - The City when allocating funds for strategic reserves or future borrowings will consider the needs of the community and the requirements of other key stakeholders in aiming to ensure the full cost of infrastructure and service delivery, including key outcomes outlined in the Council Plan, are equitably met by all generations of ratepayers and community where possible.

4. New Initiatives
    - All new operational or capital projects will be evaluated against the City's Council Plan and the Asset Management Policy supported by AMPs.
    - For projects spanning multiple financial years, once Council has committed to the project by adopting the annual budget for year one of the project and included the budget for subsequent years of the project in the LTFP, the presumption is that Council will continue to fund the project (including the annual ongoing operational costs) via the annual budget allocations until conclusion of the project.
    - The City will advocate for grants and partnership opportunities and seek opportunities to collaborate with neighbouring councils and WALGA in pursuit of its strategic and operational sustainability objectives.

5. Funding Strategy

- Reserves

  i. Cash-backed reserves will be established and maintained for renewal or replacement of assets.

  ii. The City will budget for annual growth in reserves of a minimum of 2% of Rates base, excluding proceeds from the sale of assets.

  iii. Specific purpose reserves may be created for strategic projects identified in the City's LTFP or AMPs.

- Borrowing

  Borrowing will be considered as a valid funding source for projects that contribute towards or achieve strategic goals identified in the City's Council Plan.

  i. Borrowing may be considered for projects which have an element of intergenerational equity.

  ii. The criteria for borrowing will be driven by the economic climate and balance sheet capacity of the City with due regard to maintaining adequate debt service cover.

  iii. Borrowing proposals will be supported by a business case commensurate with the scale of the borrowing, including a cost-benefit analysis, risk analysis and whole of life costing, to clearly demonstrate fulfilment of financial policy objectives.

- Disposal of Assets

  i. As part of the annual budget process the City's assets will be reviewed and any proceeds from the disposal of assets will be applied to:

     1. Reduce any debt associated with the asset acquisition or upgrade since the original purchase or construction.
     2. Offset the cost of replacement assets required for the City's operations.
     3. Specific Cash Backed Reserves.

- Service Levels

  i. Services levels provided by the City will be continuously reviewed through regular assessment and review, to provide for the most appropriate allocation of resources, considering best value for money, efficiency and effectiveness, and appropriate quality standards.

- Fees and Charges

    i. Fees and charges are set as part of the annual budget process. Fees and charges are established based on legal requirements in addition to Council resolutions and policy. Fees must be increased by a minimum of CPI (or other agreed upon index) annually unless restricted by legislative thresholds.

    ii. The City adopts a "user-contributes" approach considering community service level expectations and the users' capacity to pay. Additional factors that are considered when reviewing fees and charges include:

        1. Purpose of the service.
        2. Full cost of the provision of the goods and services.
        3. Market rates and public demand.
        4. Service level changes.
        5. Legislative changes.
        6. Economic changes.
        7. Desire to deliver community outcomes that may benefit distinct groups or individuals.

- Rate Setting and Service Charges incorporating a forward rating strategy

    i. The City will as part of the development of the LTFP, consider the forward rating strategy for community information. The City will raise sufficient revenue to satisfy the gap in funding after deducting revenues derived from fees and charges and other funding sources to manage its annual operational service delivery costs and fund future infrastructure and asset management needs in line with council and community aspirations. In line with LTFP principles, it supports the City in remaining financially sustainable into the future.

    ii. The City's rate setting will be based on a targeted yield increase. With that in mind, the City will look to raising rates equivalent to the Perth annualised CPI (or other agreed upon index) plus a minimum of 2 per cent, to allow for growth of reserves as noted in 5.1 above to allow for the maintenance and development of the City's assets including other reserve allocations to improve the City's future financial sustainability.

    iii. Council will set a minimum amount payable for properties in its district which is greater than the general rate which would otherwise be payable on that land.

    iv. Specified area rates may be adopted where special, increased or upgraded services/amenities are delivered.

    v. Rates on vacant land shall be set at levels that encourage development, to stimulate growth and improve the vibrancy of the City.

6. Funding Priority
    - The City recognises the competing demands for limited financial resources and endeavours to allocate resources in compliance with the objectives of this policy.
    - Prioritisation of funding allocation will be based on the following hierarchy:

    a) Risk mitigation activities or projects that are required to reduce extreme or high- level risks to, as far as practicable, an acceptable level.

    b) Activities requiring compliance with statutory obligations or standards.

    c) Renewal, upgrade, or maintenance of existing infrastructure assets as supported by AMPs and related project prioritisation processes.

    d) Current operational funding for programs, unless the operational need for any of those programmes has been superseded.

    e) Maintenance of adequate financial reserves – both operational and strategic to meet current and future (planned) needs.

    f) New programmes or assets as supported by AMPs and other strategic plans and related project prioritisation processes; and

    g) Discretionary projects or activities driven by community desire with due consideration to desired service levels or amenities provided.

Measures of Success

The following measures will be used to monitor the successful application of the Policy:

1. City meets the minimum Local Government Financial Index (LGFI) benchmark set.
2. The City shows improvement in its Operational and Asset Sustainability Ratios.
3. The City's non ratable revenues are increasing at a higher rate than CPI (or other agreed upon index).

The City will ensure that all planning and budgeting activities occur within statutory timeframes and in alignment with the City's integrated planning and reporting framework. An indicative timetable outlining key milestones for the development of the Long-Term Financial Plan and Annual Budget, including Council engagement points and decision-making stages, will be prepared and presented to Council at the commencement of each annual planning cycle.

4. Definitions

Short Form	Long Form	Description
Council Plan	Council Plan	The Council Plan is a long-term planning document that defines the City's vision, values, aspirations, and priorities for the future, typically over a 10-year period. It also serves as a comprehensive roadmap for the City's overall strategy and direction, guiding the achievement of long-term goals and objectives aligned with the community's vision.
LTFP	Long Term Financial Plan	It is a strategic process used by the City to align its financial capacity with long-term service objectives. This involves forecasting future financial conditions and developing strategies to ensure financial sustainability while meeting service goals as identified in the SCP and CBP.
AASB's	Australian Accounting Standard's Board	The AASB is an Australian Government agency responsible for developing and maintaining reporting standards for entities in both the private and public sectors of the Australian economy. These standards ensure consistency, comparability, and transparency in financial reporting.
LGFI	Local Government Financial Health Indicator	The Local Government Financial Indicator has been designed to provide community members, stakeholders and the Local Government Department with at-a-glance insights to local government financial performance. The LGFI provides point-in-time insights to a local government's ability to: o meet its short term financial obligations (Liquidity); o fund its longer term financial obligations (Solvency); and o access funding (either internal or external) to deliver services and

		maintain infrastructure (Financial Flexibility).
AMP	Asset Management Plans	An Asset Management Plan (AMP) is a strategic document that outlines how the City will manage its assets to deliver a specified standard of service. An AMP helps the City optimise the lifecycle of their assets, ensuring they are maintained cost-effectively and continue to meet operational goals.
CPI	Consumer Price Index	The Consumer Price Index (CPI) is a measure that examines the average change over time in the prices paid by consumers for a basket of goods and services. It's a key indicator used to assess inflation and the cost of living.

5. Relevant Legislation

Local Government Act 1995
- s.5.56 Planning for the Future
- s.6.2 Annual Budget
- s.6.3 Budget for other circumstances

Local Government (Financial Management) Regulations 1996

6. Related Council Policies

Purchasing Policy
Asset Management Policy
Investment Policy

Version Control			
Relevant delegated authority			
Council adopted	**26 May 2026**	**Reference**	**OCM 2026/57**
Last review	**New**	**Reference**	**N/A**
Next review	**May 2028**		