	# *Budget Reporting and Management Policy*
Policy Classification	Council Policy
First Issued:	20 January 2015
Next Date of Review:	June 2028
Version Number:	
Applicable Legislation:	*Local Government Act 1999*
Related Policies or Documents:	Local Government (Financial Management) Regulations 2026 Kangaroo Island Council Internal Control Policy Kangaroo Island Council Procurement Policy Kangaroo Island Council Accounting Policy
Associated Forms:	NA
Responsible Manager:	Director Corporate Services Finance Department
Approved by Council:	10 November 2026
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Budget Reporting and Management Policy

1. Preamble

1.1. This Budget Reporting and Management Policy provides clear direction to the management and staff of Kangaroo Island Council in relation to amending and reporting performance against Council's adopted budgets.

2. Purpose

2.1. This policy provides Council the framework to ensure that all budget reporting and variations are undertaken in a consistent manner, with regards to the relevant standards and in accordance with the Local Government Act 1999 and Local Government (Financial Management) Regulations 2026.

3. Scope

3.1. The intention of the Budget Reporting and Management Policy is to provide management with a framework to operate within, in regard to the following:

- The content, timing and process to be followed for reporting to Council on its performance against the budget;
- The scope and conditions associated with the Chief Executive Officer approving variations in activity (that are within the scope of the approved budget allocations) without obtaining Council approval; and
- The process required to be followed as well as general guidelines in relation to the carrying forward of expenditure authority associated with projects included in the budget for the previous year.
- The application of this policy is to assist Council in the development and monitoring of
    - Annual Business Plan and Budget
    - Long Term Financial Plan
    - Quarterly Budget Reviews
    - Budget Carry Over – Capital Works
    - Other financial information for decision making

4. Definitions

4.1. **CEO** means the Chief Executive Officer of the Kangaroo Island Council.

4.2. **Council** means the Elected Body.

4.3. **Kangaroo Island Council (KIC)** means the administration.

4.4. **Annual Budget** refers to the Council's statement of:

- Its intended expenses, revenue and capital expenditure that give effect to its Annual Business Plan for the reporting period;
- Its cash inflows and outflows associated with intended operating, investing and financing activities; and
- Its projected financial position at the end of the reporting period.
- Its objectives and strategies translating into financial terms with ongoing management and monitoring of income and expenses.

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Annual Business Plan refers to the Council's statement of its intended programs and outcomes for the year. An annual business plan and a budget must be adopted by a Council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 15 August for the financial year.

4.5. **Annual Financial Statements** refer to the Statements of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cashflow Statement (the Principal Statements) prepared in accordance with the Australian Accounting Standards, together with the notes and certification statements prescribed in the Model Financial Statements.

4.6. **Budget Review** is a revised forecast of the original budget or previous budget review and requires the preparation of revised Financial Statements and associated Key Financial Indicators

4.7. **Financial Indicators** refer to the financial measures or ratios used in the management plan, annual reports and other internal and external reports to guide or assess the financial performance and position of the Council. The three principal financial indicators are the Operating Surplus Ratio, Net Financial Liabilities Ratio and the Asset Sustainability Ratio.

4.8. **Financial Sustainability** occurs when expenditure, revenue raising and service level decisions are made such that planned long term service and infrastructure levels and standards can be achieved without unplanned increases in rates or disruptive cuts to services.

4.9. **Model Financial Statements** is a template format for the presentation of the Annual Financial Statements for all South Australian councils, complying with the Australian Accounting Standards, Local Government (Financial Management) Regulations and are approved by the Minister.

4.10. Long Term Financial Plan (LTFP) is a financial planning document aligned within Council Integrated Planning and Reporting Framework to assist in the accomplishment of long-term goals. It enables Council to plan for the long term in a financially sustainable manner and deliver the Strategic Plan of the Council. It translates the objectives and strategies of the Strategic Plan into financial terms.

4.11. **Net Lending / Borrowing** as specified in the Uniform Presentation of Finances, this represents the extent to which operating expenses (less depreciation) and capital expenditure exceed funding provided by operating revenue and amounts received specifically for new and upgraded assets. A net borrowing result increases Council's accumulated level of net financial liabilities, whereas a net lending result reduces the level of net financial liabilities.

4.12. **Uniform Presentation of Finances** refers to the high level summary of both operating and capital investment activities of the Council prepared on a uniform and consistent basis as required by the Model Financial Statements.

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5. Policy Statement

5.1. Timing and Content of Budget Reporting to Council

5.1.1. A Quarterly Budget Review Report is to be prepared and included in the agenda of both the Ordinary Meeting of Council and Council's Audit Risk and Improvement Committee at least twice during the financial year between 30 September and 31 May in accordance with Section 9 (1) (a) of the Local Government (Financial Management) Regulations, 2026. The report will highlight, at summary level, budget activity for the year to date, original budget information and include the latest revised forecast of expected budget results for the year. The report will include budgetary data and an explanation of any proposed budget variations that have not previously been approved and a report between 30 November and 15 March (both dates inclusive) in the relevant financial year – showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

5.1.2. A Council must also include in a report revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators

5.2. Report on financial results

5.2.1. In accordance with Part 2 – Section 10, Council must, by no later than 31 December in each year, prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the council, council subsidiary or regional subsidiary (as the case may be) for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.

5.2.2. Council must also include in a report under sub regulation (1) audited financial results for the previous financial year of the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

5.3. Approval of Variations Outside of the Scope of the Budget

5.3.1. In considering a request for expenditure outside of budget expectations, Council will consider the impact that the approval could have on the achievement of the targets for financial indicators established in Council's original budget. It will also consider the capacity to increase other revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation and the merit of doing so.

5.3.2. It is the responsibility of relevant officer (Manager) to explain the circumstances leading to request for approval of variation outside of the scope of the budget and provide relevant documentation.

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5.4. Approval of Variations within the Scope of the Budget

5.4.1. Where circumstances so warrant (e.g. for reasons of urgent necessity), the Chief Executive Officer may, in consultation with the Mayor, authorise variations in activity that are within the scope of approved limits for budget items, providing that variations made do not:

1. In aggregate exceed threshold value limits for that function / activity outlined in the Budget;
2. Materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original allocation; or
3. Impact on any explicit proposals Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated for in its budget.
4. The variation request and approval are conducted within the scope of Council's Procurement Policy.

5.4.2. Whenever such changes are made, the following Budget Update must include information from the Chief Executive Officer explaining the rationale for the decision(s).

5.5. Guidelines in Relation to the Carry Forward of Expenditure Authority Associated with Projects Included in the Budget for the Previous Financial Year

5.5.1. The scope and funding requirements of capital projects that are underway but not completed at the end of one financial year will be carried forward as work in progress in the following financial year.

5.5.2. While there may be one-off exceptions, operating activity budgeted for but not expended in a year, generally will not be carried forward to the following year. Identifiable operational initiatives that will not commence in the year that they have been budgeted for should be re-evaluated and where warranted, included in the budget for the following year at the time of its adoption. Similarly, capital projects that have not commenced in one year, should be considered against other competing priorities in determining the content of the budget for the following year rather than treated separately as 'carried forwards'.

5.5.3. Any capital project which was authorised by Council as part of the Annual Business Plan in a financial year and has not commenced at the conclusion of 30 June reporting period needs to be brought back to council to consider the viability of the capital project and may be considered for removal from capital works program by Council.

5.5.4. Funding approval for any other budgeted activity not completed at the end of any budget year is forfeited unless approval to carry-over the activity and associated budget allocation is granted by Council.

5.5.5. Any request for carrying forward activity needs to clearly highlight whether the scope of each activity item and its associated funding quantum is proposed to be varied from that previously approved and if so, the reasons for same. Any impact on the achievement of the targets for a financial indicator established in Council's original budget for the current year also should be identified.

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6. Review and responsibilities

6.1.1. This Budget Reporting and Management Policy shall be reviewed by Council and the Audit & Risk Committee every two years.

6.1.2. The External Auditor is responsible for the review of the financials to ensure consistency with relevant standards and with this Budget Reporting and Management Policy.

7. Availability and Grievances

This Policy will be available for inspection at the Council's Offices 43 Dauncey Street, Kingscote during ordinary business hours and via the Council's website: www.kangarooisland.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer, Kangaroo Island Council, PO Box 121, Kingscote SA 5223.

SIGNED:



Chief Executive Officer

Date: 10 November 2026

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History:		
Date Reviewed:	Version:	Reason for Amendment:
20 January 2015	Version 1	Date adopted by Council.
09 June 2015	Version 2	Annual Policy Review by Council 2015-16
21 June 2016	Version 3	Annual Policy Review by Council 2016-17
13 June 2017	Version 4	Annual Policy Review by Council 2017-18 Ref# C189:2017
12 June 2018	Version 5	Annual Policy Review 2018-19 Ref# C176:2018
June 2019	Version 6	Annual Policy Review by Council 2019-20 Ref# C
12 May 2020	Version 7	Policy Review by Council
10 May 2022	Version 8	Policy Review – no change
10 November 2026	Version 9	Policy Review – Legislation Change and Expansion of budgetary frameworks.

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