



Council Policy

Budget Management



Budget Management

Policy scope

To remain **liveable, thriving, creative, resilient, and inclusive**, the City of Fremantle (the City) recognises the need for robust planning and sound financial management to meet both present and future needs. This commitment aligns with the requirements of the *Local Government Act 1995*, Section 5.56, which mandates that councils plan for the future and to comply with all relevant regulations.

The City's Strategic Community Plan sets out the long-term vision, aspirations, and priorities for the community. This plan informs the development of the City's Corporate Business Plan, which integrates with a range of strategies to inform the annual budget process.

In accordance with the *Local Government Act 1995*, Part 6, Division 2 – Annual Budget, the City must:

- prepare and adopt, during the period 1 June to 31 August, a budget for the financial year ending the following 30 June (s.6.2(1)).
- prepare a detailed estimate of revenues and expenditure to determine the amount required to be raised from general rates (s.6.2(2))
- not incur municipally funded expenditure outside the adopted annual budget unless:
 - it relates to a prior financial year,
 - it is authorised in advance by absolute majority (s.6.8).
- maintain a balanced budget, with any surplus or deficit limited to no more than 10% of the general rate amount unless Ministerial approval is obtained (s.6.34).

Furthermore, the *Local Government (Financial Management) Regulations 1996* requires that the City review its annual budget annually, between 1 January and the last day of February in each financial year, by assessing the City's financial performance for the period beginning 1 July and ending no earlier than 31 December of that financial year (Reg. 33A).

This Budget Management Policy establishes the framework for managing the annual budget in a manner that ensures legislative compliance, supports operational efficiency and promotes financial sustainability.

Policy statement

This policy provides a clear framework for the formulation, administration, and management of the City's annual budget. It ensures compliance with statutory requirements and alignment with Council's strategic objectives. The policy offers strategic direction to staff and establishes guiding principles to be applied throughout the budget development process.



1. Budget Formulation Principles

- 1.1 The annual budget is guided by the Strategic Community Plan, Corporate Business Plan, Long Term Financial Plan and other adopted strategies. The City also considers community and customer feedback as part of determining budget priorities.
- 1.2 The City's Long Term Financial Plan (LTFP) will guide the parameters for the annual budget and should be updated and adopted by Council annually following the adoption of the annual budget.
- 1.3 All budget submissions are to include detailed phasing in order to facilitate accurate budget variance reporting each month.
- 1.4 All budget submissions must consider sustainability issues, alignment with community priorities and value for money.
- 1.5 In accordance with s.6.32(1)(a) of the *Local Government Act 1995*, the City is to impose a general rate on rateable land within its district in order to make up the budget deficiency.
- 1.6 As per the *Local Government Act 1995* s.6.33, the City will model the General Rates revenue for the year using the Differential Rates Strategy based on appropriate land use/type characteristics.
- 1.7 The City is to review Specified Area Rates annually to ensure sufficient funding is raised to meet anticipated current and future needs.

2. Strategic Reserve Management

Any budget surplus identified at each financial year is to be transferred to an appropriate Reserve consistent with the objective and meeting the target values as outlined in the City's LTFP.

The City maintains reserves for two purposes:

- (a) reserves required by legislation to hold funds for a specific purpose (for example, service charges, specified area rates, and cash-in-lieu of public open space); and
- (b) discretionary reserves established by Council to build the City's financial capacity (for example, investment, asset renewal, and revenue-smoothing reserves).

The current list of reserves, their purposes and their funding strategies is maintained in the City's Reserve Schedule, adopted and varied by Council as part of the annual budget process.



3. Content of Annual Budget and Working Papers

As outlined in the *Local Government (Financial Management) Regulations 1996* Part 3, the City must include the following information in the draft annual budget and working papers:

- Statement of Comprehensive Income
- Statement of Cash Flow
- Statement of Financial Activity
- Rating Information, including discounts, waiver, concession and write offs
- Service Charges Information
- Fees and Charges Information
- Rating Objects and Reasons
- Details of new capital and operating initiatives
- Any amendments to the City's significant accounting policies

4. Elected Member Engagement on Draft Annual Budget

The draft annual budget, including proposed capital and operating initiatives, and rating objects and reasons, should be communicated to Elected Members via annual budget workshops to enable Elected Member feedback and recommendations prior to the draft budget being presented for Council adoption.

5. Mid-Year Budget Review

As outlined in the Policy Scope, the City is bound by Reg. 33A of the *Local Government (Financial Management) Regulations 1996* to carry out a review of its financial performance, addressing budget variations arising during the first half of the financial year (i.e. to 31 December). The review is to be carried out between 1 January and the last day of February and submitted to Council by 31 March of that financial year.

The mid-year review is not to be used to fund new initiatives, except where an initiative is identified by the Executive Leadership Team and Elected Members as essential and either has an identified funding source or is authorised in advance by Council, consistent with s.6.8 of the *Local Government Act 1995*.

6. Expenditure for an Additional Purpose

Except in the circumstances described in s.6.8(1)(a) and (c) of the *Local Government Act 1995* (see Policy Scope), proposed expenditure for an additional purpose is to be determined by Council by absolute majority, consistent with s.6.8(1)(b). Where possible, this will be



presented via a report to the Strategic & General Services Committee; in cases of urgency, additional purpose consideration may be presented to Council directly.

Where expenditure for an additional purpose is authorised, the decision will amend the budget by creating a new budget account to accommodate the proposed expenditure. The additional expenditure may be funded from a budget surplus, an external grant, a reserve (see Strategic Reserve Management), or by transferring the required funds from one or more existing accounts to the new account, consistent with s.6.8 of the *Local Government Act 1995*.

7. CEO Delegated Authority for Insufficient Budget Allocations

In addition to any other expenditure delegation already granted to the CEO, and subject to any limitation on that delegation under legislation or other Council policy, the CEO is delegated authority to incur expenditure for a purpose already identified within the budget where there are insufficient funds allocated – in accordance with the delegated authority register.

8. Quarantining of Budget Accounts

At the time of adoption, amendment or review of the annual budget, Council or the CEO may determine that certain budget accounts are to be quarantined. This places a restriction on expenditure, or expenditure above a prescribed amount, from that account without further approval from Council or the CEO (as applicable).

9. Budget Amendment Reports

On an as-needs basis, budget amendment reports, such as those considering an additional purpose, additional funds, grant acceptance, or the quarantining or release of quarantined funds, will be presented to Council.

10. Carried Forward Budget

Unspent funds from a budget year will only be carried forward to the new budget year where:

- a project has already commenced or been committed, with expenditure incurred or contractual commitments entered into that meet or exceed the material variance threshold adopted by Council for Statement of Financial Activity reporting under Reg. 34(5) of the *Local Government (Financial Management) Regulations 1996*, and works remain incomplete at 30 June; or
- a project or activity has unspent grant funds at 30 June; or
- at the discretion of Council or the CEO (as applicable).



Carried forward project estimates are to be presented and adopted by Council with the annual budget. A subsequent report will be presented to Council to make budget amendments to carried forward budgets, reflecting the final position at the end of the financial year.

Definitions and abbreviations

Nil.

Responsibility and review information	
Responsible officer:	Manager Financial Services
Document adoption/approval details	Ordinary Meeting of Council - ARIC2609-3 – 23 September 2026
Document amendment details	Amendment approval/adoption date Proof of adoption/approval - meeting name or document no#
Next review date	(maximum of four years from last review) (23 September 2026)