

## Policy 5.06 Financial Management

Department	Strategy and Business Services
Responsible Officer	Finance Manager

### Scope

This policy and procedure manual encompasses the financial management strategies and processes implemented by BVSC to facilitate the financial management of operations – both in the short-term and long-term.

### Purpose

- To provide transparency and accuracy in all BVSC financial activities and compliance with all mandated financial reporting requirements.
- To comply with the *NSW Local Government Act (1993)*, including but not limited to subsection 8B which reads;

#### 8B Principles of sound financial management

The following principles of sound financial management apply to councils:

- a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
  - b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
  - c) Councils should have effective financial and asset management, including sound policies and processes for the following:
    - i. performance management and reporting
    - ii. asset maintenance and enhancement
    - iii. funding decisions
    - iv. risk management practices.
  - d) Councils should have regard to achieving intergenerational equity, including ensuring the following:
    - i. policy decisions are made after considering their financial effects on future generations,
    - ii. the current generation funds the cost of its services.
- To comply with the NSW Local Government (General) Regulations 2005.
  - To comply with the International Financial Reporting Standards.
  - To comply with the NSW Local Government Code of Accounting Practise and any other mandated standards.
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### Legislative Requirements

*Local Government Act 1993*

Local Government Code of Accounting Practice

## Policy Statement

Sound financial management is the efficient and effective management of financial resources in such a manner as to accomplish the objectives of the organisation.

Bega Valley Shire Council will ensure sound Financial Management of its operations and the communities assets through a range of actions including but not limited to;

## Financial Governance

Council will ensure that systems, processes and controls are comprehensively embedded into the organisation to make certain the financial resources of the Council are properly managed, with a view to maintaining the ongoing financial sustainability of the Council.

The NSW *Local Government Act 1993* provides the statutory framework for which Council must comply. Specifically, Part 3 of the Act pertains to Financial Management, of which the following divisions directly relate to Financial Management:

- Division 1: Funds
- Division 2: Accounting Records, Financial Reports and Auditing
- Division 2A: Other Audit Functions
- Division 3: Auditors
- Division 4: Annual Reports

The NSW Local Government (General) Regulations 2005 specify several regulations pertaining to Financial Management Councils are required to comply with. Specifically, Part 9 of the regulations deals with Management and Accountability, of which the following divisions directly relate to Financial Management:

- Division 3: Budgeting by Councils
- Division 4: Councils Funds
- Division 5: Accounting Records and Accounting Practises
- Division 6: Annual Financial Statements
- Division 7: Annual Reports
- Division 9: Miscellaneous (Auditing)

While these specific divisions of the Act and Regulations deal directly with Financial Management, there are numerous sections and sub-sections in both the Act and the Regulation that also prescribe statutory obligations relating to Financial Management. The following policy statements assume all elements of the Act and the associated Regulations are specifically complied with as a matter of normal business.

## Financial Reporting

The annual financial statements must be prepared in accordance with:

- the Local Government Act 1993 and the regulations made there under
- the Australian equivalent to International Financial Reporting Standards
- the Local Government Code of Accounting Practice and Financial Reporting; and
- the Local Government Asset Accounting Manual.

Adequate systems, processes and controls must be in place to ensure the timely preparation of annual financial statements without the need to apply for extensions of time except where there are extenuating circumstances.

### Financial Systems

Adequate systems, processes and controls must be in place to ensure the accurate capture of financial information at all stages of the organisations operations. Ongoing consideration must be given to the adequacy of all Financial Information Systems and their associated business processes to ensure a modern and compliant method of data capture, process and reporting is maintained into the future.

### Financial Auditing and Controls

The General Manager will implement a comprehensive program of Internal and External audits that will probe, test and analyse Councils financial controls to ensure that adequate business practises are in effect to minimise or mitigate financial risks.

Council will work with the NSW Auditor General and its respective Audit firm to provide high quality, accurate and reliable financial data for the annual Financial Audit each financial year. Council's goal is to always obtain an unqualified audit from its external audit provider.

### Budgeting and Internal Reporting

Council utilises a comprehensive Budgeting system that budgets for both Operating and Capital transactions. A zero-based budget ensures that all funds are identified during the budget development process. Council must ensure that there are adequate systems, processes and controls in place to guarantee the accurate development of the Councils budget but also the ability to maintain and report against the progress of that budget. The budget systems and reporting must be applied in a manner that allows for effective business decision making by both Council management and the elected Council.

### Financial Resources

Council will ensure that adequately qualified and experienced staff will be employed in positions responsible for the management of Councils financial operations. Council also prescribes that sufficient human, infrastructure, and financial resources are allocated to meet the terms of this policy and thereby supporting the financial sustainability and good governance of the Councils assets and operations.

### Integrated Planning and Reporting

Section 8C of the Local Government Act (1993) prescribes the principles of IPR as it relates to NSW Councils. Council will ensure that there are adequate capturing and reporting systems in place to allow for the IPR program to report as prescribed by Council in its Delivery Plan and associated plans. Specifically, ongoing consideration needs to be given to the Resourcing Strategy which outlines and forecasts how the organisation intends to implement the Councils Delivery Plan. The Resourcing Strategy is made up of three key principles;

1. Asset Management
2. Long Term Financial Planning
3. Workforce Planning

Council will ensure that adequate systems are in place to provide accurate and reliable information to be used and integrated into the IPR suite of documents, specifically the Resourcing Strategy.

### Long Term Financial Planning

Develop, implement and maintain long term financial strategies in accordance with best practice. The Long Term Financial Plan must also consider the operational area of Councils activities and consider any growth or reductions forecast. It must illustrate how the Council can meet the goals of its community while at the same time ensure the ongoing financial sustainability of the Council into the future.

## Asset Management

Develop, implement and maintain long term asset strategies with underlying implementation plans that balances the wants and needs of the Community alongside the financial realities of the Council in accordance with best practise and industry standards. Considerations to be given to the intergenerational aspect of asset management and the basic asset philosophy that whomever consumes the asset should fund the asset.

## Workforce Management

Develop, implement and maintain detailed long term plans for the resourcing of the organisation into the future considering the demographics of the current resourcing, the planned workforce demand, and the regional isolation of the Council. Considerations must be given to the long-term viability and sustainability of Council workforce into the future.

## Financial Strategy

Council will develop, adopt, implement and maintain a detailed financial strategy that will articulate its position of a range of financial management principles including but not limited to;

- Performance Management and Reporting: The application of financial benchmarks to be considered and reported to Council.
- Funding Decisions: The level of autonomy surrounding financial decisions that Council delegates to the organisation under the direction of the General Manager.
- Risk Management: The level of risk appetite that the Council currently has, as well as mitigation plans and associated risks management strategies.
- Funding Principles: The high-level setting of funding objectives, including policy positions on priorities (for example, asset management over service delivery) and associated funding priorities (for example, borrowings over new taxes).

Council will use those principles in the development of Financial Management Policies that will provide guidance to staff and the community as to how this Council intends to manage its financial operations. These policies include;

- Zero-Sum Financing
- Priority of Funding
- Cost Containment
- Productivity
- Working Capital
- Contract Management
- Budgeting
- Asset Management
- Headline Projects
- Fit for Future Ratio's
- Financial Reporting
- Attribution of Expenditure
- Purchasing
- Asset Management

- Surplus Land
- Return on Investment
- Investments
- Borrowings

These policies are then used to inform the respective procedures of Council which are then duly implemented.

## Policy version control

Policy title	Financial Management
Policy No.:	5.06
Department	Strategy and Business Services
Function	Financial reporting
Key theme area	A Leading Organisation
CSP Position Statement(s)	All
Responsible Officer	Finance Manager
Version	2
Adopted	
Next revision	May 2021

## Related BVSC policies

Policy No.:	Title
5.07	Investments
5.08	Procurement of assets and services
5.16	Requests for Assistance

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## Procedures, guidelines and supporting documents

5.06.1 Financial hardship assistance

5.06.2 Legally mandated and adopted financial reporting standards

5.06.3 Recovery of unpaid debts

5.06.4 Pensioner concessions

5.06.5 Rate exemptions

5.06.6 Statement of pricing policy

5.06.7 Statement of financial policy

Note: Policy details may change prior to review date due to legislative changes. For the most up-to-date version please refer to Council's website  
[www.begavalley.nsw.gov.au](http://www.begavalley.nsw.gov.au)