Policy 5.06 Financial management

**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.

**Definitions**
Nil

**Legislative requirements**
- Local Government Act 1993
- Local Government Code of Accounting Practice and Financial Reporting
- Local Government Asset Accounting

**Policy Statement**
Bega Valley Shire Council will address the matter of ‘Financial Management’ in a systematic manner by:

- Preparing and reporting annual financial statements on Council’s operations accordance with the *(Local Government Act 1993)* and the other mandated and adopted financial reporting standards nominated in Procedure 5.07.1 – Legally mandated and adopted financial reporting standards.
- Approving the unaudited annual financial statements prior to nominees signing the Statement by Councillors and Management in accordance with Procedure 5.07.2 – Certification of financial statements.
- Ensuring the timely preparation of annual financial statements, including the annual financial statements in the Annual Report, without the need to apply for extensions of time except where there are extenuating circumstances.
- Basing the calculation of rates and charges on the predominant use of a parcel of land.

**Asset Management Planning**
Long term financial strategies with underlying robust Asset Management Plans and Strategic Business Plans are to be developed and thereafter maintained in accordance with best practice in relation to major infrastructural networks such as water, sewer and roading etc.

**Long Term Financial Planning**
Draft Management Plans are to be prepared for a minimum of 5 forward years and to be progressed to 10 or more years as soon as possible based on the wider implementation of robust Asset Management Plans and using generally accepted standards for long term financial planning.
Liquidity/cash
Council aims to achieve an unrestricted current ratio of 1.5:1 (with a minimum of 1:1) in each Fund including Water, Sewer, Waste and General & Environment. All other liquidity ratios to be positive including unrestricted cash.

Fees and Charges
All non-statutory fees and charges be at least generally increased by the greater of the rate pegging percentage fixed annually by the State Government or the CPI, alternatively in accordance with the Local Government Associations' recommendations. Regular review of pricing is to be used to ensure that appropriate cost recoveries are achieved taking into account Community obligations and market factors.

Rates and Charges
- The mix of the rating categories share of the General Rate levy be reviewed at least in conjunction with each revaluation i.e. every three years.
- The General Rate and associated charges be increased by the maximum rate pegged percentage fixed annually by the State Government, as a minimum.
- The maximum amount of interest per annum on overdue rates and associated charges nominated by the State Government be adopted.
- Rates outstanding, compared to collectible, be less than 3% and other debtors outstanding levels meet LGMA healthcheck benchmarks.

Reserves
The Employee Entitlements Reserve be progressively increased to meet the Department of Local Government "rule of thumb" (currently 20% of all ELE) and thereafter as far as possible be maintained at that value.

Borrowing and Debt Servicing
Refer to separate Borrowing Policy (borrowing and debt servicing ratios to be prudent, legal and in accordance with the borrowing policy etc.).

Annual Financial Statements
- That an Executive summary be prepared annually for inclusion with the audited Financial Statements.
- That the auditor be invited to make a public presentation to the Council annually in conjunction with Council's consideration of its annual audited Financial Statements.
- That the Council aim to at least meet statutory deadlines for financial reporting

Revotes
Revotes be minimised by undertaking achievable programs and furthermore identifying likely non achievement at the December budget review to enable reconsideration in conjunction with the following 5 year plan and borrowing program.

Budgetary Control
That net operating and capital expenditure will remain within overall original budget.
Risk Management

The Council will aim to budget for the mean expected outcome ensuring there are appropriate reserves and contingency to reasonably cover likely risks from the strategy adopted.

Policy Version Control

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<tr>
<td>Adopted</td>
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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
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Related BVSC policies

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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.bega valley.nsw.gov.au