



Our Vision

Nambucca Valley ~ Living at its best

Our Mission Statement

'The Nambucca Valley will value and protect its natural environment, maintain its assets and infrastructure and develop opportunities for its people.'

1.0 Policy objective

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

2.0 Related legislation

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) Regulation 2021 specifies several regulations pertaining to Financial Management Council is 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.

3.0 Policy statements

3.1 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 Accounting Standards
- the Local Government Code of Accounting Practice and Financial Reporting; and

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.

3.2 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 Systems and their associated business processes to ensure an up to date, efficient and compliant method of data capture, process and reporting is maintained into the future.

3.3 Financial Auditing & 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 interim and final audit each financial year. Council's goal is to always obtain an unqualified audit from its external audit provider for the annual financial statements and to minimise the amount of audit management letter findings.

3.4 Budgeting & Internal Reporting

Council utilises a comprehensive Budgeting system that budgets for both Operating and Capital transactions. Council must ensure that there are adequate systems, processes and controls in place to guarantee the accurate development of the Council's 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.

3.5 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.

3.6 Integrated Planning & Reporting (IPR)

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 appropriate reporting under the IPR guidelines. Specifically, ongoing consideration needs to be given to the Resourcing Strategy which outlines and forecasts how the organisation intends to implement the Council's Delivery Plan. The Resourcing Strategy is made up of three key principles;

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

3.7 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 forecast growth or reductions. 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.

3.8 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 practice and industry standards. Consideration to be given to the intergenerational aspect of asset management and the basic asset philosophy that whoever consumes the asset should fund the asset.

3.9 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 location of the Council. Consideration must be given to the long-term viability and sustainability of the Council workforce.

3.10 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 key financial indicator benchmarks to be considered and reported to Council. Relevant staff Position Descriptions to include timeliness of providing information to enable the Annual Financial Statements and Budget/Long Term Financial Plan reports to be prepared on time.
- 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 asset renewals over new assets) and associated funding priorities (for example, borrowings over a special rate variation).

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:

- Asset Management ES 06

- Asset Accounting CS 13
- Inventory CS 21
- Attractive & Portable Items CS 22
- Procurement of Goods & Services G 12
- Investments CS 08
- Risk Management G 11
- Creation and Funding of Financial Reserves CS 17
- Debt Recovery CS 11
- Delegations

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

4.0 Natural Disaster Framework

- Manager of Assets to notify CFO/Financial Accountant of declared natural disasters and provide an impacts assessment to CFO/Financial Accountant which includes restoration and providing access for residents and which estimates the cost of those activities to Council.
- All defects from a natural disaster are to be inspected and recorded in the RECOVERY software system to prepare a claim for natural disaster funding and/or an insurance claim. Additionally results of these assessments are to be reported to the Audit, Risk and Improvement Committee (as a position paper) before being reported to Council. The report must outline natural disaster impacts, processes and outcomes.
- The Management Accountant is required to identify any damage to Council inventory as inventory that is no longer saleable or of a quality unable to be distributed will need to be written off. Any inventory that has been damaged in part but can still be distributed per *AASB 102 Inventories* needs to be adjusted (discounted) where applicable for any loss of service potential. Any inventory that has been damaged in part but can still be sold per *AASB 102 Inventories* needs to be measured at the lower of cost and net realisable value with any write down recognised as an expense. Costs associated with the repair and cleaning of inventory are expensed as incurred.
- The Financial Accountant will make an assessment as to whether any sundry debtors have been directly affected by a natural disaster and the Rates Officer will make an assessment as to whether any ratepayers have been directly affected by a natural disaster. The assessment is whether sundry debtors/ratepayers are unable to pay outstanding amounts as and when they fall due and therefore terms may need to be renegotiated i.e. assessing trade receivables and loans from Council for impairment (Expected Credit Losses).
- The Senior Finance Officer is to ensure that any Infrastructure/Property/Plant & Equipment assets and the Management Accountant is to ensure that any light fleet/heavy plant/small plant assets which have been identified as having been damaged as a result of the natural disaster have been assessed for financial cost impacts and if the assets are no longer useable or have only been partly damaged but can be repaired or still utilised in the future, that they are written down to the recoverable amount or derecognised in accordance with *AASB 116 Property, plant and equipment*. If part of an asset is damaged, the previously mentioned Council officers may need to consider derecognising the damaged part in the carrying amount of the asset if it is practically separable. The cost of replacing the new part should be recognised in the carrying amount of the asset when it is incurred, provided it meets capitalisation recognition criteria. Damage caused by a natural disaster may also result in the need to reassess the residual values (where applicable) and useful lives of assets.

- The Senior Finance Officer is to review any subsequent expenditure on an asset as a result of a natural disaster i.e. costs incurred in relocating and installing assets at different locations such as cleaning and safety inspection expenses. This review is to determine whether the subsequent expenditure can be recognised as part of the asset under the *AASB 116 Property, plant and equipment* asset recognition criteria - future economic benefits flowing to the entity and cost can be measured reliably. Otherwise, it is recognised as an expense when incurred.
- The Manager of Assets is to notify the CFO/Financial Accountant/Grants & Contributions Officer if Council has sought government financial assistance for damage arising from natural disasters and advise whether that financial assistance has been calculated and approved and if so, how much and from whom.
- The CFO is to identify whether Council has any investments in entities that have been directly affected by a natural disaster, and if so, reassess the carrying value of these investments as investments carried at cost need to be assessed for the ability to receive payments and an impairment charge may be required.
- Senior Finance Officer to advise CFO whether as a result of the natural disaster, Council has missed any due dates for scheduled loan payments as this may trigger non-compliance with debt covenants and the need to renegotiate terms or possibly reclassify loans from non-current to current if Council's lender demands immediate repayment of the debt.
- Assistant General Manager Engineering Services will advise the CFO if Council is to recognise at balance date an expense accrual for clean-up activities which occurred prior to balance date to rectify any damage as a result of a natural disaster.
- Assistant General Manager Corporate Services will advise the CFO if Council has a lease with a contractual requirement to restore leased items to their original condition at the end of the lease and if so, whether this leased item been damaged as a result of a natural disaster. Council as a lessee now needs to recognise and/or re-examine the amount required to restore the building to its original condition. This amount will be recognised as a lease restoration provision only if it is part of the lease agreement.
- Assistant General Manager Engineering Services is to advise the CFO if there are any onerous contracts as a result of a natural disaster. An onerous contract is defined in *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* as one where the unavoidable costs of meeting obligations exceed the economic benefits expected to be received under the contract. An assessment will be made by the CFO as to whether the expected economic benefits are less than the unavoidable costs of the contract, over the term of the contract. The future obligations under the onerous contract need to be recognised as a provision. Contracts (such as leases, purchase and supply contracts) containing force majeure' provision may relieve Council of its obligations. Examples of an onerous contract may include:
 - a lessee of a building damaged by floods that still has to pay lease payments despite being unable to use the premises
 - supply and purchase contracts that cannot be broken/cancelled
- Manager Human Resources will notify the CFO of any insurance recoveries as a result of a natural disaster. These are to be recognised as a separate asset (insurance recoveries receivable) and income (revenue). Compensation monies received as a result of damage or loss of asset/s is recognised as revenue when it is 'receivable' as mentioned in *AASB 116 Property, plant and equipment*. Compensation for costs to be incurred is recognised when it is certain of being received (the insurance company has confirmed in writing that

it has accepted the claim). Insurance recoveries may be recognised in a different period to when a natural disaster occurs and when related losses are recognised, due to the length of time insurance companies may take to accept insurance claims.

- Manager of Assets to advise CFO if Council has received grant funding as a result of a natural disaster e.g. Natural Disasters Relief and Recovery Arrangements.
- Assistant General Manager Engineering Services and Assistant General Manager Corporate Services to advise CFO whether Council has received any contribution of services as a result of a natural disaster i.e. volunteers helped Council clean up its parks after a flood. Council can only recognise volunteer services if they would have been purchased had they not been donated and when the fair value of those services can be measured reliably. Donated services are to be recognised at fair value and as income and expenses (i.e. bottom line neutral).
- Grants & Contributions Officer to advise the CFO if Council has paid out any grants as a result of a natural disaster. Where terms of a grant have been satisfied, but the full amount has not yet been disbursed, Council must recognise an expense and a liability (payable). For any advance grant payments Council will recognise them as a prepayment (i.e. asset) and progressively recognise an expense over grant period, as and when performance by the recipient creates an unavoidable present obligation.
- If Council has been significantly impacted by a Natural Disaster the Financial Accountant is to undertake an assessment as to whether a separate note disclosure in the Annual Financial Statements is warranted outlining the nature, extent, and impact of the natural disaster.
- CFO, Assistant General Manager Engineering Services and Assistant General Manager Corporate Services to meet post the completion of natural disaster works to undertake an assessment of how Council managed the process for identifying, accounting and reporting impacts from the natural disaster. The CFO is to update this policy and the Assistant General Manager Engineering Services/Assistant General Manager Corporate Services are to update other policies/procedures with any key learnings from this assessment.
- The CFO is to co-ordinate the completion of the auditors 'Checklist for Identifying, Accounting and Reporting Impacts from Natural Disasters' prior to the year-end audit.

5.0 History

Department:	Corporate Services	Last Reviewed	Resolution Number
Policy Category	Council	25 November 2021	480/21
Endorsed By:	General Manager		
Approval Authority:	Council		
Policy Owner:	CFO		
Contact Officer:	CFO		
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Resolution No:	361/18		
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