

Financial Governance

Introduction

This policy is intended to establish financial management and governance principles to be applied to decision-making and the way the Shire will collect, manage, monitor and control financial information. It includes how the Shire will track financial transactions, manage performance and control data, compliance, operations, and disclosures.

Objective

The objective of this policy is to:

- Ensure that Shire Officers stay up to date with all compliance regulations;
- Ensure that clear and accurate financial management and reporting through the automation of financial data and controls is maintained; and
- Ensure that frequent risk assessments; internal, and external audits are conducted on a regular basis.

Scope

This Policy applies in conjunction with other financial management policies that contain the local government's overarching financial objectives.

Definitions

| Term | Definition |
|-------------|--|
| Act | <i>Local Government Act 1995.</i> |
| CEO | Chief Executive Officer |
| Council | The local government, responsible for making decisions in formal meetings held under the auspices of Part 5 of the <i>Local Government Act 1995</i> and under the <i>Shire's Standing Orders Local Law 2008</i> . |
| Member | In relation to the council of a local government, means — (a) an elector mayor or president of the local government; or (b) a councillor on the council (including a councillor who holds another office under section 2.17(2)(a) or (b) as well as the office of councillor). |
| Regulations | Local Government (Financial Management) Regulations 1996. |
| Shire | The Shire of Toodyay. |

| Term | Definition |
|---------------|--|
| Shire Officer | Employee of the Local Government. May also be referred to as Worker in accordance with Work Health and Safety (WHS) legislation. |

Policy Statement

The Shire will make decisions in relation to financial management and financial governance that encompass the following principles:

- Management of financial risk prudently, having regard to economic circumstances. Examples of financial risks to be managed prudently include the level of Council debt, commercial activities, community business activities, financial assets and liabilities.
- Implement spending and rating policies to promote stability and predictability.
- Fund physical assets with regard to intergenerational equity.
- Manage and maintain physical assets to achieve the maximum useful life from the initial investment.
- Ensure full, accurate and timely disclosure of financial information, unless commercial in confidence.

1. Operating Results

The Council will structure its budget to achieve an outcome where operating revenue (less capital contributions) is at least sufficient to meet operating expenses. The extent of any operating surplus will be dependent on the resources necessary to manage the renewal of assets (including infrastructure assets and business activity assets) and considering intergenerational equity issues.

2. Cash Reserves

Cash Reserves are to be established and maintained to accumulate funds for the following purposes:

- (a) To offset liabilities in respect of previously earned employee entitlements to the extent they require an outflow of funds not allocated in the annual budget;
- (b) To fund future strategic initiative and the provision of new services and facilities to future residents;
- (c) To fund renewal of existing physical/built assets;
- (d) To smooth funding allocations over future years;
- (e) To buffer against unpredictable events;
- (f) To meet statutory obligation; and
- (g) Other purposes as determined by the Council from time to time.

3. Borrowing

Borrowing will be undertaken in accordance with Council Policy Borrowing Management.

4. Regulatory Role

Where the Shire operates in a competitive environment while providing a regulatory or statutory role, it will maintain a management structure designed to minimise the potential for conflict between these two roles and encourage transparency to maintain confidence in its regulatory independence.

5. Financial Information

The Shire uses enterprise software as a means of collecting, managing, monitoring and controlling financial information.

5.1 Rates and Revenue

The Shire imposes rates to raise revenue to fund the services and facilities it provides to the community.

The quantum of rates payable is determined by three factors:

1. the method of valuation of the land;
2. the valuation of the land; and
3. the rate in the dollar applied to that valuation by the local government.

Each property in Western Australia is assigned a method of valuation which is either the unimproved value or gross rental value. The *Local Government Act 1995* (the Act) specifies that a property used for rural purposes is rated as unimproved value (UV) and a property used for non-rural purposes will be rated as gross rental value (GRV). In practical terms, land used predominately for residential purposes is generally classified as GRV.

5.2 Financial Transactions

The Shire acknowledges that clear and accurate financial management and reporting is critical for public confidence. All financial transactions involving asset management, purchasing, payroll, and credit card payments are scrutinised through various accounting processes in the Shire's enterprise software.

5.3 Management of Performance and Control data

Management of Performance is all about safeguarding the resources available to the Shire.

The CEO is responsible for defining role responsibilities in consultation with the Executive Managers.

HR management processes will be undertaken to clarify what specific roles have access to areas within the Shire's enterprise system for financial management.

In terms of the data-entry and record management capability of the Shire's enterprise system, all Officer roles are expected to collaborate, coordinate and

cooperate with other Shire Officers to meet performance outcomes related to briefs, projects and plans.

The Shire provides continuous professional development and other types of training activities that ensure efficiencies and effectiveness in the running of the organisation.

5.4 Compliance

The Shire complies with the provision of local government legislative instruments and Council Policies will reinforce compliance requirements. When Officers write Council reports, risk management processes of the Shire are considered in terms of the compliance of the organisation to meet its compliance obligations.

5.5 Disclosures

The following documents relate to disclosures that are to be made by responsible persons who have delegated authority.

A **Related Party Disclosure Form** (RPD) is required to be completed by Members and Shire Officers who have delegated authority, in accordance with AASB Standard (AASB 124 Related Party Disclosures – July 2015).

This Standard applies to reporting periods beginning on or after 1 July 2016 and is published by the Australian Government, Australian Accounting Standards Board; a copy of which can be obtained on the AASB website at: <http://www.aasb.gov.au>

An **Annual Return** for the financial year ending 30 June is required to be completed in accordance with Section 5.76 (1) of the Act. Information to be disclosed in the return is in accordance with Section 5.78 (1) of the Act.

Reference Information

- [Disposal of Property](#) Policy;
- [Long-Term Financial Management](#) Policy;
- [Risk Management Policy](#) (ADM18);
- [Purchasing Policy \(FIN3\)](#);
- [Legislative Compliance Policy](#) (ADM20);
- [Asset Management Policy](#) (FIN23);
- [Related Party Disclosures Policy](#) (GOV06);
- [Borrowing Management Policy](#) (FIN17);
- [Debt Collection Policy](#) (FIN05);
- [Investment of Surplus Funds Policy](#) (FIN09);
- [Corporate Credit Cards Policy](#) (FIN11).
- [Authorised Signatories Policy](#) (FIN02).
- [Register of Delegations](#)

Legislation

- [Local Government Act 1995](#);
- [Local Government \(Financial Management\) Regulations 1996](#);

Associated documents

Related Party Disclosure Form

Annual Returns

Version control information

| Version No. | Date Issued | Review position | Developed by | Approved by |
|-------------|-------------|-----------------|--|-------------|
| V1 | 22/7/2014 | Adopted | Manager Corporate & Community Services | Council |
| V2 | 22/1/2019 | Amended | Manager Corporate & Community Services | Council |
| V3 | 27/10/2020 | Reviewed | Manager Corporate & Community Services | Council |
| V4 | 28/06/2023 | Revised | Manager Corporate & Community Services | Council |

| Document control information | |
|---------------------------------|--|
| Document Theme | Finance |
| Document Category | Finance |
| Document Title | Financial Governance |
| Document ID | FIN16 |
| Document Owner (position title) | Manager Corporate & Community Services |
| Author (position title) | Manager Corporate & Community Services |
| Date of approval | 28 June 2023 (OCM139/06/23) |
| Approving authority | Council |
| Access restrictions | Nil. |
| Date Published | 30 June 2023 |
| Date of last review | 28 June 2023 |
| Date of next review | 02 June 2027 |

| Document control information | |
|--|--|
| Archived antecedent documents and previous versions | Adopted OCM 27 July 2014; Reviewed OCM 27 October 2020. |