



SHIRE OF DONNYBROOK-BALINGUP

FINANCE POLICIES

Reviewed – May 2016

FINANCE POLICIES

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Finance Policy

3.1 Financial Assistance to Organisations and Clubs

Objective

To assist community organisations to provide key services to the community and encourage the development of projects and activities that benefit the community.

1. Eligible Organisations

This policy relates to financial assistance by Council to organisations and clubs occupying land owned by, or vested in, Council. Financial assistance will not be given to clubs or organisations occupying Crown Land or Private Property unless Council is authorised to do so under the provisions of the *Local Government Act*.

Organisations and Clubs are not to expect as of right any financial assistance from the Council, as requests will only be considered in respect to the overall priorities of other projects within the Shire and will also be subject to the availability of finance.

- a) Where the proposed facility will benefit the public, as well as the group concerned, Council may assist in a three way, equal shares funding arrangement between the group, Council and the State Government.

Under this arrangement Council's input would be limited to 33.33% of the total project cost. The community group would be expected to contribute cash; donated materials and voluntary input may also be considered as an "in kind" contribution.

- b) Only in special or extenuating circumstances will Council consider a contribution larger than 33.33%. It will be the responsibility of the group concerned to prove to Council that a larger contribution is justified and reasonable.
- c) When a facility is for the exclusive use of one organisation, assistance will only be given, after the organisation demonstrates it has the capacity to fully repay any costs and agrees to do so.
- d) Licensed Clubs, under the Liquor Act, will be required to re-pay in full any financial assistance from Council.

- e) Any self-supporting loans in excess of \$10,000 will only be funded if the organisation can provide private guarantors to the loan.
- f) Community groups will be responsible for all costs associated with establishment of a loan agreement and/or loan guarantee documentation. Interest will be payable on all self-supporting loans at a rate to be determined by Council.

2. Prerequisites of Financial Assistance

- a) Requests for financial assistance should normally be received before the Budget (say before the 1st of April of each year).
- b) Two options are available to community groups, see Appendix 1 for details.
- c) Where organisations wish finance to be made available quickly, without first referring the application to a third party funding body, the financial assistance available from Council will be limited to a maximum of 33.33% and the organisation will be required to meet the balance of 66.7%. This statement is designed to encourage groups to forward plan and is aimed at encouraging that maximum funds from other sources is obtained for projects within this district.
- d) Policy is not retrospective.
- e) This Policy shall only apply where works of a capital nature are being undertaken.

Appendix 1

Option 1 – Council Auspices Grant

1. Community group makes written application, requesting that Council assess the grant. Group to provide budget showing source of funds for the project based on the table below.

| Source | Item | Amount (excluding GST) | Status ✓ If confirmed x If not confirmed |
|-----------------|-----------------------------|------------------------|--|
| Community Group | Cash (see Note *1) | \$ | |
| | Voluntary labour (in kind) | \$ | |
| | Donated materials (in kind) | \$ | |
| Shire | Amount requested | \$ | |
| Other sources | Name: | \$ | |
| | Name: | \$ | |
| | Name: | \$ | |
| TOTAL | | \$ | |

Important Note *1: Evidence must be provided that the community group has the ability to make the cash contribution e.g. provide a copy of current bank statement and Minutes of Meeting confirming commitment of funds to the project. If the group does not have the cash immediately available, the names of club members who are prepared to guarantee the Club cash contribution are to be provided to Council.

2. Request is submitted to Council for approval. If approved, Council auspices the project, submits the funding application and completes the acquittal to recover the grant from the funding body at the end of the project.

Option 2 - Community Group Auspices the Grant

1. Community group makes written application requesting that Council provides funds for the project. Group to provide budget showing source of funds for the project based on the table in Option 1.
2. Request submitted to Council for approval. If approved, Council undertakes to provide funds for the project and agrees the payment schedule (payment may be made subject to completion of agreed project milestones).
3. Community group applies for the grant and manages the project. All invoices are paid for by the group and copies of those invoices and any other project costs are to be forwarded to Council for acquittal purposes on completion of the project or on completion on agreed milestones.
4. Community group acquits grant.

| | |
|--------------------------------|----------------|
| Adopted: | 1 January 1993 |
| Last Amended: | 26 May 2010 |
| Last Reviewed: | 26 April 2016 |
| Next Review Date: | 2017 |
| Responsible Department: | Finance |



Finance Policy

3.2 Vandalism – Council Property

Objective

To deter theft and vandalism occurring on council property and encourage community participation in reporting acts of vandalism.

Policy

That Council offer up to \$1000 reward to any person providing information which leads to the conviction of offenders of any act of vandalism to Council property.

| | |
|--------------------------------|----------------|
| Adopted: | 1 January 1993 |
| Last Amended: | 26 May 2010 |
| Last Reviewed: | 26 April 2016 |
| Next Review Date: | 2017 |
| Responsible Department: | Finance |



Finance Policy

3.3 Staff Attendance at Conferences & Reimbursement of Expenses

Objective

To ensure a procedure is in place for the reimbursement of Council delegates to Conferences and seminars, and to ensure the prescription of allowable expenses as required under the provisions of the *Local Government Act, 1995* (Sec. 5.98(2)).

3.3 Staff Conference

That designated Senior Staff members are authorised to attend one relevant conference per year. Other staff members are also encouraged to attend relevant conferences.

3.3 (1) The Chief Executive Officer is to approve the attendance at all conferences in accordance with the following guidelines:

- a) funding arrangements and organisational operations be considered;
- b) to ensure that attendance at the conference will be beneficial to the officer and Council;
- c) the officer is to provide a report on the issues etc of the conference with recommendations as appropriate with the report to be submitted to Council through the appropriate Committee.

3.3 (2) Accommodation, Meals & Incidentals

- a) Where approval has been granted by the Chief Executive Officer staff shall be entitled to claim accommodation, meal and incidental expenses incurred as a consequence of attending any Conference, Seminar or Meeting as Council's authorised representative.
- b) Reimbursement will be actual cost on production of supplying documentation. However the following rates are indicative and should be used as a guide in assessing reasonableness.

Accommodation

| | |
|-----------------|------------------------------|
| Capital Cities | \$160.00 to \$300.00 per day |
| Country Centres | \$100.00 to \$200.00 per day |

Sustenance (Food & Drink) & Taxis

| | |
|-----------------|------------------|
| Capital Cities | \$150.00 per day |
| Country Centres | \$150.00 per day |

These expenses are to be limited to budget allocation.

- c) Where staff are accompanied by their partners at recognised and approved Local Government conferences, seminars and the like, conference sessions, dinners and partners' programs shall be paid by Council

| | |
|--------------------------------|----------------|
| Adopted: | 1 January 1993 |
| Last Amended: | 23 May 2012 |
| Last Reviewed: | 26 April 2016 |
| Next Review Date: | 2017 |
| Responsible Department: | Finance |



Finance Policy

3.4 Investment of Funds

Objectives

To invest the local government's surplus funds, with consideration of risk and at the most favourable rate of interest available to it at the time, for that investment type, while ensuring that its liquidity requirements are being met.

While exercising the power to invest, consideration is to be given in preservation of capital, liquidity, and the return of investment.

- Preservation of capital is the principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- The investment portfolio will ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.
- The investment is expected to achieve a market average rate of return that takes into account the Council's risk tolerance. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

1. Legislative Requirements

All investments are to comply with the following:

- *Local Government Act 1995* – Section 6.14;
- *The Trustees Act 1962* – Part III Investments;
- *Local Government (Financial Management) Regulations 1996* – Regulation 19, Regulation 28 and Regulation 49
- Australian Accounting Standards

2. Delegation of Authority

Authority for implementation of the Investment Policy is delegated by Council to the CEO in accordance with the *Local Government Act 1995*. The CEO may in turn delegate the day-to-day management of Council's Investment to another staff member/s.

3. Prudent Person Standard

The investment will be managed with the care, diligence and skill that a prudent person would exercise. Officers are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Investment Policy, and not for speculative purposes.

4. Ethics and Conflicts of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires officers to disclose any conflict of interest to the CEO.

5. Approved Investments

Without approvals from Council, investments are limited to:

- State/Commonwealth Government Bonds;
- Interest bearing deposits;
- Bank accepted/endorsed bank bills;
- Bank negotiable Certificate of Deposits; and

Investments over \$1,000,000 will be restricted to the following Financial Institutions unless otherwise authorised in advance by Council:

- Westpac Bank
- National Australia Bank
- ANZ Bank
- Commonwealth Bank
- ME Bank
- Bank West
- Bendigo Bank
- WA Treasury Corp.
- St George Bank

6. Prohibited Investments

This investment policy prohibits any investment carried out for speculative purposes including:

- Derivative based instruments;
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

Council will comply with the restrictions placed on the investment of money by virtue of Section 6.14(2)(a) of the Local Government Act 1995 and Regulation 19c of the Local Government (Financial Management) Regulations 1996 which states as follows:

19C Investment of money, restrictions on (Act s. 6.14(2)(a))

- (1) In this regulations –
 - authorised institution** means –
 - (a) an authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or
 - (b) the Western Australian Treasury Corporation established by the *Western Australian Treasury Corporation Act 1986*;
 - Foreign currency** means a currency except the currency of Australia.
- (2) When investing money under section 6.14(1), a local government may not do any of the following –
 - (a) deposit with an institution except an authorised institution;
 - (b) deposit for a fixed term of more than 12 months;
 - (c) invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
 - (d) invest in bonds with a term to maturity of more than 3 years;
 - (e) invest in a foreign currency.

7. Risk Management Guidelines

Investments obtained are to comply with three key criteria relating to:

- a) Portfolio Credit Framework: limit overall credit exposure of the portfolio.
- b) Counterparty Credit Framework: limit exposure to individual counterparties/institutions.
- c) Term to Maturity Framework: limits based upon maturity of securities.
- d) Exceptions

a) Overall Portfolio Limits

To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

| S&P Long Term Rating | S&P Short Term Rating | Direct Investment Maximum % |
|----------------------|-----------------------|-----------------------------|
| AAA | A-1+ | 100% |
| AA | A-1 | 100% |
| A | A-2 | 60% |

b) Counterparty Credit Framework

Exposure to an individual counterparty/institution will be restricted by its credit rating so that single entity exposure is limited, as detailed in the table below:

| S&P Long Term Rating | S&P Short Term Rating | Direct Investment Maximum % |
|---------------------------------|----------------------------------|------------------------------------|
| AAA | A-1+ | 45% |
| AA | A-1 | 35% |
| A | A-2 | 20% |

If any of the local government investments are downgraded such that they no longer fall within the investment policy, they will be divested as soon as practicable.

c) Term to Maturity Framework

The investment portfolio is to be invested within the following maturity constraints:

| Overall Portfolio Term to Maturity Limits | |
|--|------------------|
| Portfolio % < 1year | 100 Max; 40% Min |
| Portfolio % > 1year | 60% |
| Portfolio % > 3year | 35% |
| Portfolio % > 5year | 25% |
| Individual Investment Maturity Limits | |
| ADI | 1 year |
| Non ADI | 1 year |

d) Exceptions (Bendigo Bank)

In the interest of maintaining a face-to-face local banking service within Donnybrook, Council has elected to vary its policy to provide for the investment of funds in the Bendigo Bank, through the Donnybrook branch.

The Donnybrook branch of the Bendigo Bank is administered by Donnybrook Capel Districts Financial Services in accordance with the operational guidelines of the Bendigo Bank.

Funds invested through the Donnybrook branch are invested with the principal Bendigo Banking Group. Bendigo Banks current long-term S&P rating is BBB+ and the short-term rating is A-2.

Council has approved a maximum portfolio limit of 75% with Bendigo Bank.

8. Investment Advisor

The CEO has delegated authority to appoint an investment adviser when considered appropriate.

The local government's investment advisor must be licensed by the Australian Securities and Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended; and is free to choose the most appropriate product within the terms and conditions of the investment policy.

9. Measurement

The investment return for the portfolio is to be regularly reviewed. The market value is to be assessed at least once a month to coincide with monthly reporting.

10. Benchmarking

Performance benchmarks need to be established.

| Investments | Performance Benchmark |
|-----------------------------|------------------------------|
| Cash | Cash Rate |
| Enhanced/Direct Investments | UBSWA Bank Bill |

11. Reporting and Review

A monthly report will be provided to Council in support of the monthly statement of activity. The report will detail the investment portfolio, percentage exposure of total portfolio, maturity date and changes in market value.

This investment policy will be reviewed at least once a year or as requirement in the event of legislative changes.

Documentary evidence must be held for each investment and investments are to be recorded in an Investment Register with all details pertaining to the investment such as investment source, date of lodgement, interest rate, maturity date and all investment transactions recorded on a ledger sheet.

12. Administration

1. The Chief Executive Officer, Manger of Finance and Administration and Accountant are individually authorised to transfer investment funds up to \$50,000 by telephone or by electronic funds transfer and follow up with written confirmation by facsimile or letter.
2. Where funds exceeding \$50,000 are transferred by EFT to an investment two authorised signatures are required on the facsimile or letter.

Authorised signatures will consist of the Chief Executive Officer and Manager Finance and Administration or another officer authorised by the CEO. Alternatively investments exceeding \$50,000 shall be invested by utilising a Council cheque signed and authorised in accordance with delegation 3.1 (Payment of Accounts).

3. The Chief Executive Officer, Manager of Finance and Administration and Accountant are individually authorised to renew investments by telephone, facsimile or letter and to withdraw funds required for operational needs. Where funds are withdrawn from investment and transferred to Shire bank accounts, confirmation of the withdrawal shall be provided to the financial institution by a facsimile or letter by a person as authorised above.
4. A schedule detailing all investments is to be presented to the Ordinary meeting of Council each month and will form part of the Monthly Financial Statement.

| | |
|--------------------------------|---------------|
| Adopted: | 28 March 2001 |
| Last Amended: | 25 May 2016 |
| Last Reviewed: | 26 April 2016 |
| Next Review Date: | 2017 |
| Responsible Department: | Finance |



Finance Policy

3.5 Rates Recovery Procedure

Objective

To provide procedures for the recovery of rates and charges.

3.5.1 Collection of Rates from Issue of Original Rate Notice

- (a) Rate notices are posted mid-August, and ratepayers are given 35 days until the due date for full payment or the first instalment payment.
- (b) Rates can be paid in two or four instalments. If the two instalments plan is chosen, payment of the first half of the account is due 35 days following the issue of the rate notice. The second payment is due mid to late January. Interest is applied to the outstanding amount and an administration fee is charged.

If the four instalments plan is chosen, payment of the first quarter of the account is due 35 days following the issue of the rate notice. The other three payments are due at the end of November, middle of January, and end of March. Interest is applied to the outstanding amount and an administration fee is charged.

- (c) If the instalment option is not selected by the due date penalty interest will accrue at 11% per annum until account paid in full.
- (d) Final notices are posted to ratepayers 14 days after the rate notice due date.
- (e) Ratepayers may be accepted onto the instalment option if payment is received by the due date of the final notice. Once the due date of the final notice has passed the instalment option is no longer available. Alternative arrangements will need to be made.
- (f) If no payment has been received within 14 days of sending out the final notice, an "overdue rate account" letter is posted to the ratepayer (excluding registered pensioners) advising that they :
 - i) have seven days to make payment in full or legal action will be instigated against them for collection of outstanding rates.
 - ii) The ratepayer is advised that if they are experiencing financial difficulties they can apply for a special arrangement to pay in either weekly, fortnightly or monthly instalments.

- iii) Ratepayers applying for a special arrangement are requested to complete a direct debit authorization form, authorizing Council to withdraw the specified regular payment amount from the debtor's nominated bank account. The ratepayer is to be advised that he/she is responsible for payment of any costs incurred by Council for rejected direct debit transactions due to insufficient funds or account closure.
 - iv) If the ratepayer can demonstrate satisfactory reasons as to why they cannot enter into direct debit arrangements they may continue to pay as per the special arrangement and will be responsible for the due date they will not receive any reminders.
 - v) The charges will be raised against the relevant rates assessment as administration costs. If a special arrangement is requested and approved by Council the special arrangement and a payment schedule are placed in a diarised file and the Rates Officer on a weekly basis monitors subsequent payments.
- (g) If no payment has been received within 7 days of sending out the "overdue rate account" letter, the matter is referred to a Council approved Debt Collection Agency (currently Austral Mercantile Collections Pty Ltd – a W.A.L.G.A approved supplier).
- (h) A "final demand" letter is sent to the ratepayer by an approved debt collection agency. If the ratepayer does not make contact after 7 days of the letter being posted, the approved debt collection agency will proceed with legal action upon instruction. A "General Procedure Claim" is prepared and lodged by the approved debt collection agency and served on the ratepayer at the last known address (provided to the approved debt collection agency by the Rates Officer). From the date the ratepayer is served the "General Procedure Claim" they have 14 days to respond either by making payment in full, making a payment arrangement with Council. If after 14 days there is no response from the ratepayer then further legal action is taken by the Debt Collection Agency.

The approved debt collection agency on instruction from Council to recover the outstanding rates and associated legal fees. The approved debt collection agency liaise regularly with the Rates Officer regarding payments received and prior to any further action being taken.

- (i) If rates on a property are more than three years in arrears, Council has the option to sell the property in order to recoup the debt.

3.5.2 Collection of Rates Where Ratepayer Defaults on Special Arrangement

If a ratepayer applies for a special arrangement to pay his/her rates and does not make the elected payments, the procedure for collection outstanding rates is as above. An "outstanding rates" letter is sent, 7 days later the Debt Collection Agency are requested to send a "final demand" letter, and if no response is received in 7 days, a "General Procedure Claim" is prepared and lodged by the Debt Collection Agency. A "General Procedure Claim" shall not be prepared where the overdue amount is less than \$300.

3.5.3 Collection of Rates Where Ratepayer Defaults on Instalment Plan

- (a) Ratepayers who elect to pay their rates using the two or four instalments option are posted an instalment notice 28 days prior to the payment due date.
- (b) If the two instalment option was chosen and the final payment in January/February isn't received within 14 days of the due date a Final Notice will be issued. (excluding registered pensioners)
- (c) If the four instalment option was chosen and the final payment in March/April isn't received within 14 days of the due date a Final Notice will be issued. (excluding registered pensioners)
- (d) If payment has not been received within 14 days of the final notice an "overdue rate account" letter is posted to the ratepayer advising that they have seven days to make payment or legal action will be instigated against them for collection of outstanding rates.
- (e) If rates are still outstanding 7 days later the Debt Collection Agency are requested to send a "final demand" letter, and if no response is received within 7 days, a "General Procedure Claim" is prepared and lodged by the Debt Collection Agency. A "General Procedure Claim" shall not be prepared where the overdue amount is less than \$100.

Note

Ratepayers who are experiencing financial difficulty can apply for a special arrangement to pay their rates at any time during the rates collection procedure.

| | |
|--------------------------------|--------------------------|
| Adopted: | 28 February 2001 |
| Last Amended: | 26 May 2010 |
| Last Reviewed: | 26 April 2016 |
| Next Review Date: | 2017 |
| Responsible Department: | Finance & Administration |



Finance Policy

3.6 Tuia Lodge Accommodation Bond Liquidity Strategy

Objective

The objective of this policy is to ensure compliance with Statutory Prudential requirements. It is designed to ensure that residents receive repayment of bond balance entitlements on a timely basis within legislated timeframes.

Administration Procedure

The policy will be reviewed annually with the amount required to be held as cash at the end of each financial year determined by the following formula.

- The total value of accommodation bonds held at the end of the financial year.
- The total number of accommodation bonds held at the end of each financial year.
- The value of bonds received during financial year.
- The value of bonds refunded during financial year.
- The number of bonds refunded during financial year.
- The number of bonds received.
- The largest bond held.

Historic information over a rolling 4 year period will provide average call on funds and determine if trends in bond movements require greater amounts of bond funds to be held as current liquid assets.

All bonds held will be invested in approved financial institutions in accordance with Council's Investment Policy No. 3.4 and are available at short notice.

It is a requirement that the minimum amount of bonds held and available for immediate release must equal the largest bond held or 25% of the total amount of bonds held whichever is the greatest.

As the number of residents and the value of bonds varies so will the trend analysis.

Therefore at the end of the financial year an analysis will be conducted on the probability of the likely call on bond funds held within the next 12 months. The analysis will identify the level of bonds held and will estimate the likelihood of the bonds being replaced with bonds of a similar level.

The above analysis, combined with the LMS identified in the policy, will form the basis of the assessment as to the minimum cash backed bond funds to be held.

| | |
|--------------------------------|---|
| Adopted: | 28 March 2007 |
| Last Amended: | 25 November 2009 (attachment updated 22 May 2013) |
| Last Reviewed: | 1 May 2015 |
| Next Review Date: | 2016 |
| Responsible Department: | Finance |

TUIA LODGE ACCOMMODATION BOND LIQUIDITY STRATEGY – LIQUIDITY REQUIREMENTS

| | | | | |
|---|-------------------|------------------|------------------|------------------|
| Name of Facility/Organisation | Tuia Lodge | | | |
| Number of Beds | 26 | | | |
| LIQUID FUNDS REQUIRED AS AT | 30th June 2015 | | | |
| Year ended | 30/6/2012 | 30/6/2013 | 30/6/2014 | 30/6/2015 |
| Number of Bonds Held | 14 | 13 | 11 | 11 |
| Value of Bonds Held | 1,691,140 | 1,577,997 | 1,317,093 | 1,201,646 |
| Total value of bonds x 25% | 422,785 | 394,499 | 329,273 | 300,412 |
| Average Bond Value | 121,000 | 121,000 | 120,000 | 109,000 |
| Average Annual Value Increment | 26% | 0% | (1%) | (9%) |
| Simple Trend | 18% | 15% | 15% | 11% |
| Number of Bonds Refunded in the year | 2 | 4 | 5 | 2 |
| Value of Refunds in the year | (121,910) | (611,994) | (626,775) | (291,066) |
| Number of New Bonds in the year * | 4 | 4 | 3 | 2 |
| Value of New Bonds in the year ** | 597,832 | 524,762 | 331,000 | 200,000 |
| Net call on funds | 475,922 | (87,232) | (295,775) | (91,066) |
| As a % of Bonds | n/a | n/a | n/a | n/a |
| Largest Bond Held | | | | 300,000 |
| Largest Annual Negative Call on Funds | | | | 0 |
| Adjust for Trend | | | | 0 |
| Safety Margin | | | | 150% |
| Worst case plus safety margin | | | | 0 |
| Liquidity required | | | | 300,412 |
| (Must equal or exceed largest bond held, or 25% of total bonds held) | | | | 300,412 |
| As a percentage of Bonds Held | | | | 25% |
| If the last four years have shown no net call on funds the largest bond held is the default liquidity requirement or as calculated with adjustment for safety margin. | | | | |
| Total Bonds held at 30th June 2015 | 1,201,646 | | | |
| Less Funds Utilised (Capital works) | -187,229 | | | |
| Equals Cash Backed Funds | <u>1,014,417</u> | | | |
| Minimum amount to be cash backed | <u>300,412</u> | | | |
| Cash held exceeds minimum assessed liquidity | <u>714,006</u> | | | |
| Coloured cells require input, all others are formulae driven. | | | | |
| * Only new bonds included in number - not periodic payments. | | | | |
| ** Total includes \$ value of all bonds received during the year. | | | | |



Finance Policy

3.7 Use of Corporate Credit Cards

Objective

The purpose of this policy is to provide guidance for the use, allocation, control and safe custody of corporate credit cards and to meet Council's objective of Open and Accountable Local Government.

Policy

Council has approved the provision of a corporate credit card to the Chief Executive Officer (CEO) who is entitled to use the credit cards to make purchases for reasonable business-related expenses incurred within the approved budget adopted by Council. It is to be noted that:

- Use of corporate credit cards for personal expenditure or cash withdrawals is prohibited.
- All reward schemes (Fly Buys etc.) shall belong to the Shire of Donnybrook-Balingup and not the card holder.
- The maximum limit for any single purchase on a corporate credit card is \$2,500.
- In using the above card or when delegating the use of corporate credit cards to other officers of the Shire, the CEO is to always be cognisant of the contents of the Local Government Operational Guideline No 11.

POLICY APPLICATION / PROCEDURE

The policy applies to the CEO as card holder for all purchases and related matters when using the corporate credit card under that officer's control.

1. Approvals and use

The credit card holder is entitled to use the corporate credit card to make purchases for reasonable expenses incurred within the approved budget adopted by Council.

2. Transfer / Surrender

- a) The Credit card is not transferable to other users. If surrendered the credit card or expired credit cards are to be returned to the Shire Accountant for recording, cancellation and destruction.

Note: The *Local Government Act 1995* does not allow credit cards to be issued to elected members, as a local government can only pay elected members allowances or reimburse expenses.

| | |
|--------------------------------|---------------|
| Adopted: | 26 June 2013 |
| Last Amended: | 27 May 2016 |
| Last Reviewed: | 28 April 2016 |
| Next Review Date: | 2017 |
| Responsible Department: | Finance |



Finance Policy

3.8 Debt Policy

1 Objective

This Debt Policy document sets out the manner in which the Shire of Donnybrook Balingup (the “Shire”) may establish and manage a debt portfolio. The objective of this Debt Policy is to ensure the sound management of the Shire’s existing and future debt.

This Debt Policy outlines the Shire’s debt strategy and provides for the responsible financial management of loan funding by ensuring that the level of indebtedness is maintained within acceptable limits and is managed appropriately.

2 Compliance

The Shire will enter into contractual funding arrangements only where such activities and arrangements comply with the relevant legislative and non-legislative requirements.

Adherence to this Debt Policy will be reviewed annually.

2.1 Legislation

Western Australian legislation relative to the Shire includes, but is not limited to

- The *Local Government Act 1995* (as amended)
- *Local Government (Financial Management) Regulations 1996* (as amended)
- *Trustees Act 1962* (as amended)

2.2 Non-Legislative Requirements

In addition, borrowing activities and contractual funding arrangements entered into by the Authority must also comply with the following:

- Australian Accounting Standards

2.3 Lending Agreements

Any and all borrowing activities and contractual funding arrangements entered into by the Shire with Western Australian Treasury Corporation (or another party) must be consistent with:

- The Shire's Master Lending Agreement with the Western Australian Treasury Corporation
- The particular loan repayment schedule with the Western Australian Treasury Corporation relevant to the specific loan.

3 Policy Objectives

The purpose of this Debt Policy is to establish a set of principles for the efficient management of the Shire's existing and future debt.

This includes prudent interest rate risk management so that an appropriately structured and managed portfolio of debt funding may contribute to the growth and protection of the long-term economic value of the Shire.

3.1 Minimise Risk

In general, the Shire is risk averse and seeks to reasonably minimise risk in all aspects of its operations.

3.2 Minimise interest costs

Specifically, the Shire seeks to minimise interest costs without introducing undue volatility in annual interest costs.

The Council notes that there is a trade-off between minimising risk in the portfolio and minimising the interest costs of the portfolio.

4 Policies

4.1 Enactment

The Debt Policy will become effective immediately after approval by Council.

As per the provision of Section 2.7(2) of the Local Government Act 1995, once enacted, the Debt Policy may not be altered, in whole or in part, except by resolution of the Council.

4.2 Conditions for Debt Raising

- Debt funding may be used for capital works and the purchase of development of assets and infrastructure assets.

- Debt funding may not be used to finance operating activities or recurrent expenditure.
- Before borrowing funds, the Shire would generally consider using existing surplus funds in the first instance.

4.3 Lending Counterparties

- In its evaluation of borrowing proposals, the Authority will consider counterparty risk, that is, the risk that the lender fails to perform in accordance with its contractual obligations under the terms of the loan.
- The Shire will seek to reasonably minimise counterparty risk from lenders.
- The Shire recognises that the Western Australian State Government has established a Central Borrowing Authority, the Western Australian Treasury Corporation (WATC) for the purpose of providing funding to government including Local Government Authorities.
- The Shire recognises the advantages of obtaining funding through a Central Borrowing Authority, such as WATC, which has very low counterparty risk and is able to provide significant benefits to its clients through its ability to access highly liquid funds in large volumes on behalf of its clients, and therefore provide lower-cost funding than is generally available from other lenders.
- Contractual lending arrangements between the Shire and WATC may be in any form recommended by WATC and approved by the Council.
- The Shire, at its discretion, may seek quotes from lenders other than WATC, and may proceed with funding in cases where another lender is able to provide lower-cost funding, and where the Shire believes that the degree of counterparty risk is acceptable.

4.4 Borrowing Arrangements

- When entering into borrowing arrangements, the Shire will seek to minimise interest costs over the medium and long-term without introducing undue volatility in annual interest costs, and subject to an acceptable degree of counterparty risk.
- Borrowing arrangements may be entered into on a project-by-project basis, with particular loans assigned to particular projects.
- Each project-specific loan will be entered into with the aim of obtaining the most competitive interest cost for the loan, subject to the preferred debt structure as determined by the Shire.
- Where borrowings are required and approved as per the provisions of Section 6.20 and Section 6.21 of the Local Government Act 1995, only a person or persons duly authorised by Council may give instructions in relation to drawing down loan funds.
- Furthermore, a Delegated Authority Register maintained by the Shire in accordance with the Local Government Act will contain a list of person(s) duly authorised by Council to sign documents in relation to the drawing down of loan funds.
- Documentation of each specific loan will be in accordance with a lending agreement or other appropriate loan documentation that has been approved by the Council.

4.5 Structure of Borrowings

The Shire's borrowings will be appropriately structured to constrain risk and will be consistent with the following parameters:

- Council will consider the appropriateness of the various types of debt products available.
- The Shire will not seek to position any of the borrowings in an attempt to gain from anticipated in the shape or level of the yield curve.
- The tenor of a loan will not be greater than the expected useful life of the asset being funded by the loan. The intention is to maintain a balance within the debt portfolio such that the value of the liabilities does not exceed the value of the assets.
- In order to eliminate currency risk, all debt will be denominated in Australian dollars and no debt will be raised in foreign currencies.

4.6 Repayments

- The Shire intends to maintain a repayment schedule consistent with 'principal and interest' repayment calculations.
- The repayment schedules for new and existing borrowings will be set on an individual basis as determined by the nature of the project, and other considerations such as:
 - Expected revenue streams in future year; and
 - Anticipated capital works and asset acquisition programs in future years.
- Loan repayments will be made in a regular schedule, such as quarterly, semi-annually or otherwise as determined by the Shire.

4.7 Breaches

- Where any breach of, or divergence from the Debt Policy occurs, the CEO and Manager Finance and Administration of the Shire are to be advised immediately, and the Council is to be advised no later than the next Council Meeting, or earlier at the CEO's discretion.
- Advice to the relevant parties will outline what will be done, or what has been done, to rectify the breach or will seek approval for continuance of the breach.
- In the first instance, temporary approval may be provided by the CEO and the Manager Finance and Administration pending subsequent ratification by Council resolution.

5 CONTROLS

5.1 Review and Monitoring

- The Shire's funding requirements and funding strategy will be periodically reviewed by the Council.
- The Council agenda for each relevant Council Meeting will contain a report with advice to the Council as to the current debt position. In providing this report, the Shire will monitor the performance of the debt portfolio and

periodically reassess financing options and portfolio structure to determine the relative risks and benefits and report outcomes of this activity to Council.

5.2 Schedules of Planned Debt

- The Shire's planning for anticipated borrowing requirements over future years will be consistent with the Department of Local Government's requirements for a 10-year financial plan.
- The Council will review the Authority's anticipated borrowing requirements and relevant sustainability ratios in the preparation of each financial year's budget and for the period covered by the 10-year financial plan.

6 Sustainability Ratios

The Council will, as a minimum, monitor the sustainability ratios prescribed by the *Local Government (Financial Management) Regulations 1996* as an input to its assessment of the financial management of its borrowings.

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| Adopted: | 26 June 2013 |
| Last Amended: | |
| Last Reviewed: | 28 April 2016 |
| Next Review Date: | 2017 |
| Responsible Department: | Finance |



Finance Policy

3.9 Petty Cash Policy

Objective

To establish procedures in relation to the Petty Cash System required by Section 2.7 (2) (a) and (b) of the *Local Government Act 1996* and Regulation 11 (1) (b) of the *Local Government (Financial Management) Regulations 1996*.

To clearly identify the procedures required to control and maintain Petty Cash Systems at the Shire of Donnybrook-Balingup Administration Office, Donnybrook Recreation Centre, Tuia Frail Aged Lodge, Donnybrook Community Library and Balingup Library.

This policy must be adhered to with consideration to Council's Purchasing and Tender Policy 2.26.

Policy

Issuing of Petty Cash Floats

Applications by a Department to have a petty cash float are to be approved by the Manager Finance and Administration and the CEO who will also approve the limit of the advance, taking into account the usage and requirements for which the float is established. Any variations to existing floats will require prior approval from the Manager Finance and Administration and the CEO.

Petty Cash Floats will be advanced from account number 175210. The re-banking of petty cash advances will be receipted to the same account.

Restrictions on Use

- Petty cash is not to be used as a substitute for the normal purchasing system. The use of petty cash is restricted to the use of items required at short notice. Any planned purchases should be made via the normal purchasing system using Council's preferred or approved suppliers.
- The maximum amount of any petty cash transaction is not to exceed \$25 unless prior approval has been obtained from the Manager Finance and Administration.
- Staff should never intentionally split a purchase into two or more receipts to circumvent the petty cash limit.

- Petty cash is not to be used to reimburse staff for fuel purchased for Council vehicles unless prior arrangements have been made with their Manager, as fuel is to be obtained from either Council's Depot or its approved retail supplier.
- Petty cash shall not be used for personal expenditure of any kind, including loans or advances.
- Staff who do not have delegated authority to purchase goods or services must have their Manager or supervisor approve the payment from petty cash.
- Under no circumstances are staff allowed to authorise their own expenditure from petty cash.

Administration of Petty Cash

- An officer will be appointed to be responsible for each petty cash float. When that officer is on leave the float must be reconciled and signed over to another person designated by the appropriate Manager.
- Each float, together with vouchers and receipts that make up any payments made between reimbursements, must be kept in a lockable tin stored in a secure location.
- All petty cash floats may be checked at any time by Council's external auditors or by the manager Finance and Administration or the Accountant. At all times cash, dockets and receipts must verify to the full float value. The officer responsible for the float must be present while the float is checked.
- Each claim for petty cash expenditure is to be supported by either a receipt or a petty cash docket (in the approved form). The claimant must provide the relevant expenditure account number to be charged and must sign the petty cash receipt or petty cash docket as proof that the disbursement has been received. All petty cash dockets or receipts are to be stamped with a "Paid" stamp to clearly distinguish that the disbursement has been made.
- Any income received at the work location must be receipted to the appropriate income account and should not be used to "top up" the petty cash float.
- The responsible officer will maintain a petty cash recoup spreadsheet in a form approved by the Manager of Finance and Administration. This form will record all petty cash transactions and will be used to reconcile the float. The officer responsible for the petty cash float will arrange for the float to be recouped on a regular basis to ensure sufficient petty cash is always available. For example once more than 60% of the float has been utilised then the responsible officer should arrange a recoup.

- The officer will make arrangements with Accounts Payable staff for the float recoup and will provide all receipts, petty cash recoup forms and the petty cash recoup spreadsheet to the Accounts Payable staff. The officer seeking reimbursement of the float will also prepare a payment requisition form to accompany the float recoup which must be authorised in advance of the recoup by the Department Manager.
- All staff designated with the responsibility of maintaining a petty cash float are to be provided with a copy of this policy. Staff are required to sign a copy of the document as evidence that they have read and understood the requirements of the policy.

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| Adopted: | 26 June 2013 |
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| Responsible Department: | Finance |



Finance Policy

3.10 Payment for Private Works Performed by the Shire

Objective

To provide an outline of policy requirements when engaging the Shire in private works.

Payment for Private Works Performed

Upon request of all private works, the CEO is to prepare a cost estimate of the works to be undertaken, which may be paid for by the applicant:

1. in full, before the work commences;
2. in the form of a bank guarantee before commencing work, with progress payments being made through the construction period and the bank guarantee being reduced accordingly; or
3. in the form of a purchase order or other acceptable guarantee to the satisfaction of the CEO.

With amounts greater than \$2,000, a 50% payment must be received prior to the works commencing, unless this requirement is waived by the CEO.

True costs of works are to be invoiced as calculated by reference to the current fees & charges adopted by Council.

Any major private works with a total cost of \$20,000 (including GST) or more are to be brought to the notice of Councillors for information.

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| Adopted: | 25 May 2016 (Based on and replacing Engineering Policy 4.10) |
| Last Amended: | |
| Last Reviewed: | |
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