



AGENDA

**FOR FINANCE AND CORPORATE SERVICES COMMITTEE MEETING TO BE
HELD ON**

**16 AUGUST 2021 AT CONCLUSION OF POLICY AND PLANNING COMMITTEE
IN THE LITTLE PARA CONFERENCE ROOMS,, SALISBURY COMMUNITY HUB,
34 CHURCH STREET, SALISBURY**

MEMBERS

Cr D Proleta (Chair)
Mayor G Aldridge
Cr M Blackmore
Cr L Braun
Cr B Brug
Deputy Mayor, Cr C Buchanan
Cr A Duncan
Cr K Grenfell
Cr N Henningsen
Cr D Hood
Cr P Jensen (Deputy Chair)
Cr S Ouk
Cr S Reardon
Cr G Reynolds
Cr J Woodman

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
Acting General Manager City Development, Mr C Zafiropoulos
General Manager City Infrastructure, Mr J Devine
General Manager Community Development, Ms A Pokoney Cramey
Manager Governance, Mr R Deco
Governance Support Officer, Ms K Boyd

APOLOGIES

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Finance and Corporate Services Committee Meeting held on 19 July 2021.

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Administration

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For Decision

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OTHER BUSINESS

CLOSE



**MINUTES OF FINANCE AND CORPORATE SERVICES COMMITTEE MEETING
HELD IN THE LITTLE PARA CONFERENCE ROOMS, SALISBURY COMMUNITY
HUB, 34 CHURCH STREET, SALISBURY ON**

19 JULY 2021

MEMBERS PRESENT

Cr D Proleta (Chairman)
Cr L Braun
Cr B Brug
Cr C Buchanan
Cr A Duncan
Cr K Grenfell
Cr N Henningsen (*via Teams VC*)
Cr D Hood
Cr S Ouk
Cr G Reynolds
Cr J Woodman

STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Development, Mr T Sutcliffe
Manager Property and Buildings, Ms K Pepe
Manager Governance, Mr R Deco
Governance Support Officer, Ms K Boyd

The meeting commenced at 6.51 pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

Apologies were received from Mayor G Aldridge, Cr M Blackmore, Cr P Jensen and Cr S Reardon.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr K Grenfell
Seconded Cr G Reynolds

The Minutes of the Finance and Corporate Services Committee Meeting held on 15 June 2021, be taken as read and confirmed.

CARRIED

Moved Cr K Grenfell
Seconded Cr S Ouk

The Minutes of the Confidential Finance and Corporate Services Committee Meeting held on 15 June 2021, be taken as read and confirmed.

CARRIED

REPORTS

Administration

2.0.1 Future Reports for the Finance and Corporate Services Committee

Moved Cr J Woodman
Seconded Cr B Brug

1. Council receives the information.

CARRIED

For Decision

2.1.1 Council Finance Report - June 2021

Moved Cr C Buchanan
Seconded Cr J Woodman

1. Council receives and notes the information.

CARRIED

2.1.2 Certification of the 2021 Annual Financial Statements

Moved Cr J Woodman
Seconded Cr G Reynolds

- 1. The information be received.
- 2. Council authorises the Mayor and Chief Executive Officer to sign the Council Certificate certifying the Annual Financial Statements for the financial year ended 30 June 2021, following the Audit Committee’s review of these Statements on 12 October 2021.

CARRIED

OTHER BUSINESS

Nil

The meeting closed at 6.55 pm.

CHAIRMAN.....

DATE.....

ITEM	2.0.1
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	16 August 2021
HEADING	Future Reports for the Finance and Corporate Services Committee
AUTHOR	Michelle Woods, Projects Officer Governance, CEO and Governance
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	This item details reports to be presented to the Finance and Corporate Services Committee as a result of a previous Council resolution. If reports have been deferred to a subsequent month, this will be indicated, along with a reason for the deferral.

RECOMMENDATIONThat Council:

1. Receives and notes the information.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 Historically, a list of resolutions requiring a future report to Council has been presented to each committee for noting.

2. CONSULTATION / COMMUNICATION**2.1 Internal**

- 2.1.1 Report authors and General Managers.

2.2 External

- 2.2.1 Nil.

3. REPORT

- 3.1 The table below outlines the reports to be presented to the Finance and Corporate Services Committee as a result of a Council resolution.

Meeting Item	Heading and Resolution	Officer
22/02/2021 2.1.2 Due:	Event Management Framework & Room Booking Fees & Charges, Salisbury Community Hub 1. That the update on the use of the Salisbury Community Hub be noted and pending further assessment a report be brought back to Council. February 2022	Julie Kushnir
22/02/2021 2.4.1 Due:	Update on Action on Rates Assessment Outstanding under Section 184 of the Local Government Act 1999 Council has previously resolved this resolution to be confidential. November 2021	Kate George

4. CONCLUSION / PROPOSAL

- 4.1 Future reports for the Finance and Corporate Services Committee have been reviewed and are presented to Council for noting.

CO-ORDINATION

Officer: Executive Group GMBE
Date: 09/08/2021 04/08/2021

ITEM	2.1.1
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	16 August 2021
HEADING	Treasury Report for the Year Ended 30 June 2021
AUTHOR	Tim Aplin, Senior Accountant, Business Excellence
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	This report, in accordance with the Local Government Act 1999 and Council's Treasury Management Policy, provides Council with a summary of the investment performance and loan facilities for the 2021 Financial Year.

RECOMMENDATION

That Council:

1. Receives and notes the information.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Treasury Policy

BACKGROUND

- 1.1 In accordance with Section 140 *Local Government Act 1999* and the Treasury Policy this report details the investment performance of Council funds for the year ended 30 June 2021.
- 1.2 Members may wish to note that Local Government in South Australia is in the unique position of having its own finance authority, the Local Government Finance Authority (LGFA), with State Government guaranteeing its operation.

2. CONSULTATION / COMMUNICATION

2.1 External

- 2.1.1 Information has been sourced from the Local Government Finance Authority (LGFA) with respect to an estimate of the likely value of the yearly bonus in interest rate terms that is applicable to all deposits for 2021.

3. REPORT

3.1 Borrowings

- 3.1.1 Council's borrowings are a mix of fixed term borrowings with the choice of fixed or variable interest rates, and variable term borrowings in the form of cash advance debentures (CAD's), all of which are held with LGFA.

3.2 Fixed Term Borrowings

- 3.2.1 The table below details Council's Fixed Term Borrowings at the year ended 30 June 2021. It shows an overall net decrease in fixed term borrowings of \$1.59M from 30 June 2020, with no additional fixed term borrowings established during the 2021 Financial Year.

Reference	Amount Borrowed	Date Established	Maturity	Interest Rate	Principal Balance 30/6/2021	Principal Balance 30/6/2020	Reduction in Principal	Annual Repayment Amount	Interest Paid
LGFA 0260	\$ 4,811,000	15/06/2007	15/06/2022	7.01%	\$ 497,198	\$ 961,294	\$ 464,095	\$ 523,489	\$ 17,427
LGFA 0263	\$ 9,000,000	15/06/2010	15/06/2025	6.58%	\$ 3,304,700	\$ 4,005,581	\$ 700,880	\$ 953,104	\$ 108,725
LGFA 0264	\$ 5,889,000	15/06/2011	15/06/2026	6.80%	\$ 2,642,963	\$ 3,073,546	\$ 430,584	\$ 632,387	\$ 89,861
Total	\$ 19,700,000				\$ 6,444,862	\$ 8,040,421	\$ 1,595,559	\$ 2,108,981	\$ 216,012

- 3.2.2 Not included in the above loan schedule is a \$500,000 debenture loan that was secured in November 2016 for special purpose borrowings; however this was offset by a corresponding \$500,000 loan receivable. The current balance of this loan is \$379,775 and the associated receivable is \$398,559 reflecting that the loan receivable was deferred during COVID with interest accrued during this time added to the principal.

3.3 Variable Term Facilities – CAD's

- 3.3.1 As detailed in the below table, Council's CAD's had no balances outstanding as at 30 June 2021, nor at 30 June 2020. However it should be noted that during the financial year Council did need to draw down to a maximum extent of \$8.0M over the July/August 2020 period, however this was repaid by the middle of August. The total interest cost of this drawdown was \$12k.
- 3.3.2 Members may wish to note that the standard variable interest rate applicable to CAD's at the time of the preparation of this report is 2.05% as compared to 2.20% at the same time in 2020. Further as part of the LGFA's response to Covid, they offered all Councils a discounted CAD facility, equivalent to 10% of councils operating income, which for City of Salisbury equates to \$12.6M. The LGA has provided a discounted interest rate that is 0.75% lower than the standard variable interest rate, being 1.30%. This facility will be the primary CAD facility utilised, up until its expiry in August 2023 at which time it will revert to the standard interest rate, and once these funds are exhausted we will draw down on the other facilities.
- 3.3.3 The extent of any draw down on our CADs is correlated to the delivery of the infrastructure program, and further impacted by COVID-19 support measures, receipts of grant funding, and timing of rate revenue receipts.

Reference	Facility Amount	Date Established	Expiry Date	Rate	Outstanding 30/6/2021	Outstanding 30/6/2020	Movement
LGFA 0235	\$ 2,130,000	15/06/2009	15/06/2024	Variable	\$ -	\$ -	\$ -
LGFA 0261	\$ 2,850,000	16/06/2008	16/06/2023	Variable	\$ -	\$ -	\$ -
LGFA 0262	\$ 570,000	15/06/2010	15/06/2025	Variable	\$ -	\$ -	\$ -
LGFA 0265	\$ 11,367,000	17/06/2013	17/06/2028	Variable	\$ -	\$ -	\$ -
LGFA 0267	\$ 12,000,000	15/07/2019	15/07/2034	Variable	\$ -	\$ -	\$ -
LGFA 0269	\$ 8,800,000	28/07/2021	15-07-2030	Variable	\$ -	\$ -	\$ -
LGFA 0269 CV19	\$ 12,600,000	29/07/2021	17-08-2023	Variable	\$ -	\$ -	\$ -
Total	\$ 50,317,000				\$ -	\$ -	\$ -

3.3.4 In accordance with the current Treasury Policy we balance the mix of fixed and variable borrowings so that neither fixed debt or variable facilities represent less than 20% of our total facilities. As at 30 June 2021 fixed term facilities represented 11%, and variable term facilities represented 89% of the total facilities, which is not in accordance with our current adopted Treasury Policy. This is due to the additional \$21.4 CAD facility that was settled in July 2020 to support the cash flow requirements of the 2020/21 budget (resolved by Council (0549/2020). At the time it was noted that by establishing this facility it would mean the mix would likely fall outside of the policy levels.

3.3.5 However as raised with the Audit Committee in November 2019, when Item 4.2.3 Treasury Policy was considered, there is a need to reconsider how the treasury mix percentages are calculated, and also the appropriate mix of loan facilities. With interest rates remaining at historical lows and with consideration as to the best way to support the organisational cash flow, it was noted that it may be appropriate to remove the floor of 20% on fixed and variable term borrowings. This would require a review of the Treasury Policy and the consideration of the Audit Committee. This review is scheduled to occur at the November 2021 Audit Committee meeting.

3.4 Investments – At Call and Fixed Term Deposits

3.4.1 Council holds two types of investments, 24 hour at call funds and fixed term deposits, with the funds being held either with the LGFA or the National Australia Bank (NAB).

3.4.2 24 Hour at Call - The table below shows the respective balances as at 30 June 2021 and 2020. These funds are held to cover cash disbursements planned to occur over the coming month.

Investment Type	30/06/2021		30/06/2020	
	Interest Rate *	Balance	Interest Rate *	Balance
24 Hour At Call LGFA	0.65%	\$ 864,819	0.80%	\$ 733,761
NAB Professional Funds	0.80%	\$ 4,779,872	0.75%	\$ 1,087,108
Total At Call		\$ 5,644,691		\$ 1,820,869
* The LGFA interest rate includes an additional 0.35% (0.35% for the 2020 Financial Year) which the LGFA has advised is a estimate of the likely value of the yearly bonus in interest rate terms applicable to all deposits for 2021. The actual percentage will not be known until October 2021, however the LGFA has advised it should be similar to the 2020 amount.				

- 3.4.3 Fixed Term Deposits - The fixed term deposits are made for a period of 30, 60, or 90 days, and are based on predicted cash inflows and outflows over the period. All term deposits are held with the LGFA.

Investment Type	Maturity Date	Interest Rate *	30/06/2021	30/06/2020
Fixed	21/07/2021	0.65%	\$ 4,000,000	\$ -
Fixed	NA	NA		\$ -
Total			\$ 4,000,000	\$ -
* The LGFA interest rate includes an additional 0.35% (0.35% for the 2020 Financial Year) which the LGFA has advised is a estimate of the likely value of the yearly bonus in interest rate terms applicable to all deposits for 2021. The actual percentage will not be known until October 2021, however the LGFA has advised it should be similar to the 2020 amount.				

- 3.4.4 As can be seen in the above tables, the cash position has increased to \$9.6M at 30 June 2021 as compared to \$1.8M as at June 2020 primarily as a result of the timing of the delivery of the infrastructure program and higher levels of capital income received, combined with lower levels of operational costs incurred during the year when adjusted for Operational Surplus Initiative measures. Proceeds received from Property Developments also increased by approximately \$2.4M in the 2020/21 year which has also contributed to the increased cash position
- 3.4.5 It is worth noting, that whilst there are cash holdings at 30 June, the level has decreased by \$4M at the time this writing this report. Further, Council has been in a drawn down Cash Advance Debenture (CAD) position with a maximum exposure of \$8.0M during the first quarter of 2020/21 which incurred total interest costs of \$12k. As at 30 June 2021, Council has not needed to draw down on our existing CAD facilities.

- 3.4.6 It is expected that over the first quarter of 2021/22 Council will draw down on the CAD facilities as this quarter is traditionally very high with delivery of infrastructure projects necessitating higher creditor payments and also once off yearly payments such WorkCover and Insurance Premiums. Further, our cash receipts in July and August are very low with the first installment of rates not due until early September.
- 3.4.7 Cash outgoings in July 2021 totalled \$14.4M, with \$11.6M paid to creditors, and \$2.8M in payroll and on cost payments, noting that these amounts include our quarterly insurance and WorkCover premiums which are significant but planned outflows.
- 3.4.8 The cash holdings and borrowings will continue to be monitored closely and when necessary we will draw down further on existing CAD facilities.

4. CONCLUSION / PROPOSAL

- 4.1 Council investments and borrowings have been managed in accordance with Council's Treasury Policy, with the known exception of being outside the policy parameters for the mix of our borrowing facilities. However, as noted, the Treasury Policy will be reviewed again in November via the Audit Committee, with a recommendation to remove the current floor of 20% given the historically low interest rates.

CO-ORDINATION

Officer:

Date:



Treasury Policy

Policy Type:	Policy		
Approved By:	Council	Decision No:	2010/2128, 2011/327, 2013/1927, 1026/2016, 2173/2017, 0333/2019, 0710/2020
Approval Date:	23 March 2010	Last Reapproval Date:	26 October 2020
Review Date:	September 2021	Internal Reference No.:	
Department:	Business Excellence	Division:	Financial Services
Function:	7 - Financial Management	Responsible Officer:	Manager, Financial Services

A - PREAMBLE

1. This policy provides clear direction to management, staff and Council in relation to the treasury function. It underpins Council's decision-making regarding the financing of its operations as documented in its annual budget and long-term financial plan and associated projected and actual cash flow receipts and outlays.
2. Council is committed to adopting and maintaining a Long-term Financial Plan and operating in a financially sustainable manner.
3. Section 3 of the Local Government Act, 1999, requires Councils to act in a way that is effective, efficient and accountable. This is especially important when managing monies acquired by Council in order to benefit the Community.

C – POLICY PURPOSE/OBJECTIVES

1. This Treasury Management Policy establishes a decision framework to ensure that:
 - Funds are available as required to support approved outlays;
 - Interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
 - The net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.
 - Further it clarifies the treatment of surplus funds, identified through Budget Reviews

E - POLICY STATEMENT

1. Treasury Management Strategy

- 1.1. Council's operating and capital expenditure decisions are made on the basis of:

- Identified community need and benefit relative to other expenditure options;
- Cost effectiveness of the proposed means of service delivery; and,
- The affordability of proposals having regard to Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial Liabilities and Interest Cover ratios).

1.2. Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- Maintain target ranges for its Net Financial Liabilities ratio;
- Generally only borrow funds when it needs cash and not specifically for particular projects;
- Apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

Budget Review Process / Funding Requests Arising throughout the financial year

- Apply surplus contained within the Sundry Projects Fund, following adjustments for variations to existing estimates, to a reduction in borrowings.
- To ensure ongoing financial sustainability and appropriate deliberation of arising matters, it is imperative that wherever possible any new bids/projects arising through the year are to be referred to the budget process for the subsequent year as this enables Council to consider the merits of these proposals with all other bids/projects.
- To be considered for funding during the year the project must be urgent or advantageous to Council, and where possible Council should consider options for cancelling or deferring existing projects to enable funds to be made available. It should be considered a last resort to add to the program and increase borrowings as this does not enable Council to consider the merits of the specific project in light of all other proposed projects
- From time to time a matter may be referred to the next quarterly budget review as a "Non-discretionary Budget Review Bid". This mechanism is only to be used when funds must be expended without delay, and consequently should be regarded as an extraordinary situation or advantageous to Council.

2. Interest Rate Risk Exposures

2.1. Council has set range limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.

2.2. Fixed Interest Rate Borrowings

- To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings to maintain on average in any year, not less than 20% of its facilities in the form of fixed interest rate borrowings.

- In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

2.3. Variable Interest Rate Borrowings

- Council will structure its portfolio of borrowings to maintain not less than 20% of its facilities in any year in the form of variable interest rate borrowings.
- Council will utilize long-term variable interest rate borrowing facilities, such as the LGFA's Cash Advance Debenture, that require interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

3. Investments

- 3.1. Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with 'at call' market rates shall be kept at a level that is no greater than is required to meet immediate working capital requirements.
- 3.2. Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.
- 3.3. When investing funds, Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs, and other relevant and objectively quantifiable factors.
- 3.4. Council management may from time to time invest surplus funds in:
 - Deposits with the Local Government Finance Authority; and/or
 - Bank interest bearing deposits
 - Bank accepted/endorsed bank bills
 - State/ Commonwealth Government Bonds
- 3.5. Any other investment requires the specific approval of Council.

4. Reporting

- 4.1. During the year Council will receive a report detailing total fixed borrowings and variable fixed borrowings at the end of the preceding month, together with all investments held, their term and interest rate. Timing of these reports will be November, February, May, unless there is an opportunity to report earlier, with the end of year reported as soon as practicable as part of our end of year reporting. *(Council Resolution, Item No. 734 dated 28 November 2011)*
- 4.2. At least once a year Council shall receive a specific report regarding treasury management performance relative to this Policy. The report shall highlight:

- For each of Council's borrowings and investments - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and,
- The proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period along with key reasons for significant variances compared with the targets specified in this policy.

F - LEGISLATION

For Borrowings

Local Government Act, 1999 (Sections 44, 122 and 134)

Local Government (Financial Management) Regulations 2011

For Investments

Local Government Act, 1999 (Sections 47, 139 and 140)

Document Control

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