

## COR 002: FINANCIAL MANAGEMENT

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### Objective

1. To ensure that council officers work within set annual budget parameters.
2. To outline parameters for efficient and effective budget management in relation to interim overdraft conditions which prevail in the early and closing parts of each financial year.
3. To enable Council to efficiently administer debt reduction.
4. To take a conservative approach to investments, but with a focus to adding value through prudent investment of funds.
5. To achieve an adequate level of diversification to spread risk.
6. To achieve a high level of security by using recognised ratings criteria.
7. To have ready access to funds for day to day requirements without penalty.

### Policy

#### Budget Control

That all officers be instructed that where any account, for which they are liable to keep expenditure within budget limits, becomes overspent or will evidently become overspent, the officer concerned halt spending until a report is made to the Departmental Manager for appropriate action.

#### Budget Management

Owing to interim overdraft conditions which prevail in the early and closing parts of each financial year, it is Council's policy to:

1. defer procurement of new budgeted plant items until September each year.
2. discourage the programming of materially intensive works in the early and closing parts of each financial year.
3. not to procure fixed assets within the last fiscal month of the year unless extenuating circumstances exist.

#### Loan Funding

Council will consider loan funding that is prudent and within guidelines and ratios as identified by the Department of Local Government. Loan funding will be guided by those loans that are proposed in the Long Term Financial Plan. An exception to this is self-supporting loans.

### Investment of Funds

The purpose of this section is to ensure that:

1. Adherence to the requirements of Section 6.14 of the *Local Government Act 1995*, and the *Local Government (Financial Management) Regulations 1996* Section 19 (as amended)
2. Council at all times has in place a current set of policies and delegations for its investment officers.
3. Adherence to the guidelines and policies outlined in this document by all officers with delegated authority to invest/control surplus funds.

### Risk Profile

The Council and delegated investment officers have pecuniary responsibilities under Section 6.14 of the *Local Government Act* and therefore risks must be kept to a minimum, particularly credit risk.

Council recognises its obligations under the “Prudent Person” rule by seeking to adhere to an investment policy with a conservative bias. Council also seeks to add value to the investment portfolio through product selection and diversification.

### Risk Management Controls

Risk Management Controls include:

- Delegated Authority to invest;
- Documented investment procedures;
- Management reporting (monthly investment reports).

### Liquidity

Cash flow report to be monitored at least weekly to ensure cash funds are available to meet commitments.

Maturity analysis report to be monitored at least monthly.

Any surplus cash not required for operating needs will be maintained in an interest earning account with Council’s preferred banking service provider if not in a long term investment.

### Delegated Authority to Invest

Officers authorised to make investment decisions and sign investment lodgements, withdrawals etc. are:

- Chief Executive Officer - full delegated authority
- Director Corporate Resources – full delegated authority
- Manager Financial Services – full delegated authority

### Authorised Investments & Institution

Investments may be made by authorised officers subject to the investment policies contained in this document.

An authorised institution is defined in the *Local Government (Financial Management) Regulations 1996* and means an authorised deposit-taking institution as defined in the *Banking Act 1959 (Commonwealth)* section 5; or the Western Australian Treasury Corporation established by the *Western Australian Treasury Corporation Act 1986*.

Investments are to be diversified adequately to reduce financial risk.

#### Management Reporting

Each month an investment report must be presented to the Chief Executive Officer. The report will summarise:

- Liquidity levels (cash flow report);
- Maturity profile;
- Investment spread;
- Returns versus benchmarking/budget; and
- Any breaches of authority.

#### Prohibited Investments

This investment policy prohibits any investment in the following-

- Deposits with an institution except an authorised institution;
- Deposits for a fixed term of more than 1 year;
- Investment in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory Government;
- Investment in bonds with a maturity of more than 1 year;
- Investment in foreign currency.

#### Review

An annual review of the Investment Guidelines and Rating Document must be conducted.

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