



AGENDA

FOR FINANCE AND CORPORATE SERVICES COMMITTEE MEETING TO BE HELD ON

15 AUGUST 2022 AT CONCLUSION OF POLICY AND PLANNING COMMITTEE

**IN LITTLE PARA CONFERENCE ROOMS, SALISBURY COMMUNITY HUB,
34 CHURCH STREET, SALISBURY**

MEMBERS

Cr D Proleta (Chairman)
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 Chairman)
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
General Manager City Infrastructure, Mr J Devine
General Manager Community Development, Mrs A Pokoney Cramey
General Manager City Development, Ms M English
Manager Governance, Mr R Deco
Team Leader Council Governance, Ms J O'Keefe-Craig
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 18 July 2022.

REPORTS

Administration

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For Decision

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QUESTIONS ON NOTICE

There are no Questions on Notice.

MOTIONS ON NOTICE

There are no Motions on Notice.

OTHER BUSINESS

(Questions Without Notice, Motions Without Notice, CEO Update)

CLOSE



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

18 JULY 2022

MEMBERS PRESENT Cr D Proleta (Chairman)
Mayor G Aldridge
Cr M Blackmore
Cr L Braun
Cr B Brug (*via Teams VC*)
Deputy Mayor, Cr C Buchanan
Cr A Duncan
Cr K Grenfell
Cr N Henningsen
Cr P Jensen (Deputy Chairman)
Cr S Ouk
Cr S Reardon
Cr G Reynolds
Cr J Woodman

STAFF Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager Community Development, Mrs A Pokoney Cramey
General Manager City Development, Ms M English
Acting General Manager City Infrastructure, Mr D Roy
Manager Governance, Mr R Deco
Manager Infrastructure Delivery, Mr J Collins
Team Leader Council Governance, Ms J O'Keefe-Craig
PA to GM City Infrastructure, Ms H Prasad

The meeting commenced at 7:26 pm.

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

APOLOGIES

An apology was received from Cr D Hood.

LEAVE OF ABSENCE

Nil.

PRESENTATION OF MINUTES

Moved Cr K Grenfell
Seconded Cr P Jensen

The Minutes of the Finance and Corporate Services Committee Meeting held on 14 June 2022, 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 M Blackmore

That Council:

1. Notes the report.

CARRIED

For Decision

2.1.1 Certification of the 2022 Annual Financial Statements

Moved Mayor G Aldridge
Seconded Cr S Reardon

That Council:

1. Authorises the Mayor and Chief Executive Officer to sign the Council Certificate certifying the Annual Financial Statements for the financial year ended 30 June 2022, following the Audit and Risk Committee's review of these Statements on 12 October 2022.

CARRIED

2.1.2 Business Transformation Future Fund Policy

Moved Mayor G Aldridge
Seconded Cr M Blackmore

That Council:

1. Adopts the Business Transformation Future Fund Policy as per Attachment 1 (Finance and Corporate Services Committee, 18 July 2022, Item 2.1.2.)

CARRIED

QUESTIONS ON NOTICE

There were no Questions On Notice.

MOTIONS ON NOTICE

There were no Motions On Notice.

OTHER BUSINESS (*Questions Without Notice, Motions Without Notice, CEO Update*)

There were no Other Business Items.

The meeting closed at 7:32 pm.

CHAIRMAN.....

DATE.....

ITEM	2.0.1
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	15 August 2022
HEADING	Future Reports for the Finance and Corporate Services Committee
AUTHOR	Hayley Berrisford, PA to General Manager Business Excellence, Business Excellence
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.

RECOMMENDATION

That Council:

1. Notes the report.

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
28/02/2022 2.4.1 Due: Deferred to: Reason:	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. August 2022 February 2023 Report deferred to Feb 2023 to enable further progress on existing S184 assessments.	Melissa Hamilton
27/06/2022 4.1.10 Due:	New Grant funding for Infrastructure Projects 5. Authorises the Chief Executive Officer to distribute the \$1.1M across the grant related projects stated in paragraphs 4.2.2 and 4.2.4 of the report (Item 4.1.10 – New Grant Funding for Infrastructure Projects – Urban Services Committee, 20 June 2022) with these allocations to be summarised within the following Quarterly Budget. February 2023	Christy Martin

4. CONCLUSION / PROPOSAL

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

ITEM	2.1.1
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	15 August 2022
HEADING	Loan Borrowings 2021/22 and 2022/23
AUTHOR	Kate George, Manager Financial Services, Business Excellence
CITY PLAN LINKS	4.4 We plan effectively to address community needs and identify new opportunities
SUMMARY	This report, required as part of the Treasury Management Policy, provides Council with information regarding proposed borrowings required to fund the 2021/22 revised budget, and to establish borrowings to enable the delivery of the 2022/23 budget.

RECOMMENDATION

That Council:

1. Approves the balance of the Property Disposal Reserve of \$2,436,573 be retained in the reserve as working capital.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 This report has been prepared in accordance with the City of Salisbury's Treasury Management Policy.

2. CONSULTATION / COMMUNICATION

2.1 Internal

- 2.1.1 Loan Borrowing requirements are assessed and reviewed quarterly as part of each Budget Review process.

3. REPORT

Current Loan Portfolio Position

- 3.1 The current loan portfolio is comprised of Debenture Loans and Cash Advance Debentures (CAD's). The outstanding principal on Debenture Loans as at the 30 June 2022 was \$5,090k (inclusive of Community purposes loans of \$350k) and Variable Rate Cash Advance Debenture facilities totaled \$50,317k as at 30 June 2022, with no funds being drawn down at the end of financial year.

2021/22 Borrowing Requirements

- 3.2 The original loan borrowings for 2021/22 were resolved by Council September 2021 per resolution 1097/2021 (Finance and Corporate Services Committee Item 2.1.2) as detailed below:

Indicative Borrowing Requirements 2021/22	\$ '000
Endorsed Budget Borrowings	38,888
Add: Infrastructure Timing Adjustments	7,200
Less: Available Facilities	(8,481)
Less: Project Return Funds (August 2020)	(484)
Less: Project Return Funds (September 2021)	(12,464)
Less: Property Disposal Reserve	(1,500)
Rounding	41
Required Borrowings	23,200

- 3.3 The required loan borrowings for 2021/22 were revised through budget reviews during the year, with the resulting loan borrowings at the third quarter budget review depicted in the table below:

	\$
Original Budget 1 July 2021	
Net Borrowings / (Investment)	38,888,197
Reinstate Timing Adjustments Projects	7,200,000
Project Returned Funds (Finance and Corporate Services - September 2021)	(12,948,000)
Surplus Facilities 2019/20 (Finance and Corporate Services - September 2021)	(8,480,774)
Property Disposal Reserve (Finance and Corporate Services - September 2021)	(1,500,000)
Net Borrowings / (Investment)	23,159,423
Cash and Facilities applied (Finance and Corporate Services - September 2021)	(23,200,000)
First Quarter Budget Review 2021/22	
Variation to General Borrowing Requirements resolved 1152/2021	819,513
Project Returned Funds Correction (BR1)	-
Capital income budget corrected	-
Second Quarter Budget Review 2021/22	
Variation to General Borrowing Requirements resolved 1267/2022	(39,410,142)
Third Quarter Budget Review 2021/22	
Variation to General Borrowing Requirements recommended - prior quarter corections	(20,000)
Variation to General Borrowing Requirements recommended	691,684
Revised Increase / (Decrease) in Borrowing Requirements	(37,959,522)

- 3.4 Effectively the borrowing requirement of \$23.2M as detailed September 2021 has not been required in 2021/22 due to the significant reduction in borrowings of \$39.4M resolved at Second Quarter which resulted from the retiming of the capital program reported to the Urban Service Committee and Council in December 2021. With other budget adjustments the resulting position is reduction in borrowings of \$37,960k, with this capacity being able to be directed towards borrowing requirements for 2022/23.

2022/23 Borrowing Requirements

- 3.5 The Adoption of the Annual Plan, Budget and Declaration of Rates included new borrowing requirements of \$38,379k for 2022/23. There have been no timing adjusted projects reflected in the budget reviews during 2021/22, consequently at this time total borrowing requirements are \$38,379k.
- 3.6 This borrowing requirement can be reduced by directing the 2021/22 capacity of \$37,959,522 to these required borrowings leaving a net of \$419k required.
- 3.7 Borrowing requirements for 2022/23 will also require adjustment for 2021-2022 Carried Forward Funds and Budget Adjustments which will be considered by Council at the August Council Meeting. These impacts will be referred to the 2022-23 Quarter Budget Review process.
- 3.8 At this time and in accordance with Surplus Community Land Policy we have reviewed the balance of the Property Disposal Reserve (PDR), to determine what funds will be available to apply to the reduction of new borrowings. The balance of the PDR is \$2,437k, however, these funds are not required to be applied to reduce borrowings and it proposed to leave the balance as part of our working capital at this time.
- 3.9 The table below summarises paragraphs 3.4 to 3.8:

Indicative Borrowing Requirements 2022/23	\$ '000
Endorsed Budget Borrowings	38,379
Add: Infrastructure Timing Adjustments	0
Less: Available Facilities (para 3.4)	(37,960)
Less: Carry Forward Returned Funds and Budget Adjustments <i>(referred to quarter budget review)</i>	TBA
Less: Property Disposal Reserve	0
Required Borrowings	419k

- 3.10 The final borrowings figure for 2022/23 is reduced to \$419k which is a relatively minor figure and at this time there is no need to establish additional facilities.
- 3.11 The actual required borrowings for 2022/23 will be refined through the quarterly reviews during the 2022/23 financial year. These adjustments will be reflected in the Loan Borrowings Report at the end of the 2022/23 financial year, to ensure that adequate facilities continue to be provided.

4. CONCLUSION / PROPOSAL

- 4.1 To ensure the delivery of the 2022/23 budget no further Cash Advance Debentures facilities are required. This has resulted from the significant adjustment at second quarter budget review December 2021 relating to the retiming and reduction in the infrastructure program.
- 4.2 The Loan Borrowings report for 2022/23 and 2023/24 to be prepared in September 2023 and will refine the 2022/23 borrowing requirements and this adjustment will form part of the recommendations to Council at that time.

ITEM	2.1.2
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	15 August 2022
HEADING	Treasury Report for the Year Ended 30 June 2022
AUTHOR	Kate George, Manager Financial Services, 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 2022 Financial Year.

RECOMMENDATION

That Council:

1. Notes the report.

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 2022.
- 1.2 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 2022.

3. REPORT

Borrowings

- 3.1 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.

Fixed Term Borrowings

- 3.2 The table below details Council's Fixed Term Borrowings at the year ended 30 June 2022. It shows an overall net decrease in fixed term borrowings of \$1.7M from 30 June 2021, with no additional fixed term borrowings established during the 2022 Financial Year.

Reference	Amount Borrowed	Date Established	Maturity	Interest rate	Principal Balance 30/06/2022	Principal Balance 30/06/2021	Reduction in Pricipal	Annual Repayment Amount	Interest Paid
LGFA 0260	\$ 4,811,000	15/06/2007	15/06/2022	7.01%	\$ -	\$ 497,198	\$ 497,198	\$ 523,489	\$ 26,290
LGFA 0263	\$ 9,000,000	15/06/2010	15/06/2025	6.58%	\$ 2,556,944	\$ 3,304,700	\$ 747,757	\$ 953,104	\$ 205,347
LGFA 0264	\$ 5,889,000	15/06/2011	15/06/2026	6.80%	\$ 2,182,602	\$ 2,642,963	\$ 460,361	\$ 632,387	\$ 172,026
Total	\$ 19,700,000				\$ 4,739,546	\$ 6,444,861	\$ 1,705,316	\$ 2,108,980	\$ 403,663

- 3.3 Not included in the above loan schedule is a \$500k debenture loan that was secured in November 2016 for special purpose borrowings; however, this was offset by a corresponding \$500k loan receivable. The 30 June 2022 balance of this loan is \$350k and the associated receivable is \$364k reflecting that the loan receivable was deferred during COVID with interest accrued during this time added to the principal.

Variable Term Facilities – CAD's

- 3.4 As detailed in the below table, Council's CAD's had no balances outstanding as at 30 June 2022, nor at 30 June 2021, and there was no need to draw down on any CADs during the financial year.
- 3.5 The standard variable interest rate applicable to CAD's at the time of the preparation of this report is 3.80% as compared to 2.05% at the same time in 2021. Further as part of the LGFA's response to Covid, it 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.
- 3.6 The extent of any draw down on our CADs is correlated to the delivery of the infrastructure program, receipts of grant funding, and timing of rate revenue receipts.

Reference	Facility Amount	Date Established	Expiry Date	Rate	Outstanding 30/06/2022	Outstanding 30/6/2021	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				\$ -	\$ -	\$ -

Interest Rate Exposure Risk

3.7 The Treasury Policy defines the parameters for managing Interest Rate Risk Exposure as:

- Maintain on average in any year, not less than 20% of its facilities in the form of fixed interest rate borrowings, and that fixed interest rate facilities will have a variety of maturity dates; and
- Maintain not less than 20% of its average total borrowings in any year in the form of variable interest rate borrowings, calculated as the average drawn down position; and that variable rate facilities will enable payment and redraw as required to minimise borrowing costs and support Council's liquidity needs

These limits defined above apply when Net Financial Liabilities (NFL) Ratio exceed 10%. At times of NFL Ratio below 10% where possible limits defined above will be maintained.

3.8 With the very low level of borrowings and no need to draw down on CAD facilities during the year, the mix of borrowings has not been achieved, with the mix being 100% fixed 0% variable facilities. Noting the NFL Ratio of 12.1%, (which is subject to further review and update for finalisation of EOFY), the mix has not been achieved due to the historic fixed rate borrowings and no draw down on CADs during the year. Whilst the policy has not been achieved, treasury has been effectively managed given the constraints at play.

3.9 Investments – At Call and Fixed Term Deposits

3.10 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). The table below shows the respective balances as at 30 June 2022 and 2021. These funds are held to cover cash disbursements planned to occur over the coming month.

Investment Type	30/06/2022		30/06/2021	
	Interest Rate *	Balance	Interest Rate *	Balance
24 Hour At Call LGFA	1.25%	1,254,656	0.65%	864,819
NAB Professional Funds	2.05%	8,172,934	0.80%	4,779,872
Total At Call		9,427,590		5,644,691

* The LGFA interest rate includes an additional 0.20% (0.35% for the 2021 Financial Year) which the LGFA has advised is an estimate of the likely value of the yearly bonus in interest rate terms applicable to all deposits for 2022. The actual percentage will not be known until October 2022. The percentage on deposits is lower as the LGFA is proposing to increase the bonus paid on borrowings from 0.10% in 2021 to 0.20% in 2022.

3.11 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. At the end of June 2022 Council had no fixed term deposits.

- 3.12 As can be seen in the above tables, the cash position has remained relatively consistent year on year with \$9.4M at 30 June 2022 as compared to \$5.6M as at June 2021. Late in the financial year Council received 75% of the Financial Assistance and Untied Local Roads Grants totaling \$6.7M whereas in the prior year only 50% early payment was received. Removing this impact our cash position has fallen year on year by over \$2.0M. The remaining cash on hand balance is a result of the timing of the delivery of the infrastructure program and higher levels of capital income received.
- 3.13 It is worth noting, that whilst there are cash holdings at 30 June, the level has decreased by \$2.5M at the time this writing this report, with significant outflows for suppliers in July, and cashflow is typically lower with the first installment of rates not due until early September. It is expected that Council will draw down on the CAD facilities during the 2022/23 financial year as the delivery of infrastructure program progresses.
- 3.14 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, noting that the mix has not been achieved due to the constraints of long-term fixed borrowings and there being no need to draw on CAD facilities during the year.



Treasury Policy

Policy Type:	Policy			
Approved By:	Council	Decision No:	2128/2010, 1927/2013, 2173/2017, 0709/2020,	0327/2011, 1026/2016, 0333/2019, 1419/2022
Approval Date:	23 March 2010	Last Reapproval Date:	25 July 2022	
Review Date:	November 2023	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. These limits defined below are to apply when Net Financial Liabilities Ratio exceed 10%. At times of NFL Ratio below 10% where possible limits defined below will be maintained.

2.3. 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.

2.4. Variable Interest Rate Borrowings

- Council will structure its portfolio of borrowings to maintain not less than 20% of its average total borrowings 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 borrowings at the end of the preceding month, also average variable facility drawdown year to date, details of 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

Document ID	Treasury Policy
Prepared by	Kate George
Release	8.00
Document Status	Endorsed
Date Printed	10/08/2022

ITEM	2.1.3
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	15 August 2022
HEADING	Council Finance Report - June 2022
AUTHORS	Sadaf Hashim, Assistant Accountant, Business Excellence Zaman Bhuiyan, Accountant, Business Excellence
CITY PLAN LINKS	4.4 We plan effectively to address community needs and identify new opportunities
SUMMARY	This report provides key financial data as at 30 June 2022 for information of Council. The report demonstrates that Council is currently in a sound financial position with appropriate levels of debt and investments.

RECOMMENDATION

That Council

- Notes the report.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

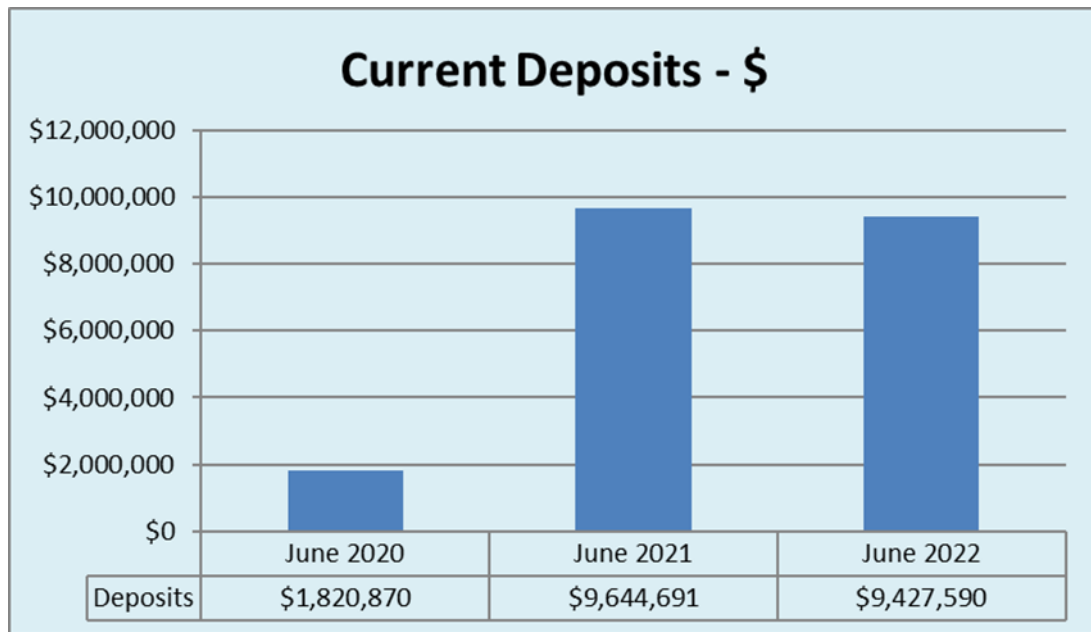
- The Treasury Policy requires that a report be prepared detailing fixed borrowings and variable borrowings at the end of the preceding month, together with all investments held, their terms and interest rates. Also included is a summary of Reserve Balances and Rates and Debtor Information. The policy requires that the timing of these reports be November, February and May, with the end of year report as soon as practical as part of the end of financial year reporting.

2. REPORT

- 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 are invested in accordance with Council's Treasury Policy. These investments are split between short term deposits with the Local Government Finance Authority (with variable maturity dates from 30-60 days) or at call with the National Australia Bank.

- Investments as at 30 June 2022

Date	Institution	%	Term-Days	Maturity	Value
30 Jun 2022	LGFA	1.05	N/A	At Call	1,254,656
30 Jun 2022	NAB	2.05	N/A	At Call	8,172,934
30-Jun-2021	9,644,691			30-Jun-2022	9,427,590



- 2.3 Cash has decreased slightly compared to June 2021, primarily as a result of the timing of the delivery of the Infrastructure program, and the early receipt of 75% of the approximated 2022/23 Financial Assistance and Untied Local Roads Grants (FA&ULG) totaling \$6.7M. In prior year 50% of the FA&ULG has been received in advance, consequently the \$6.7M is a significant difference year on year, and without this early receipt cash holding would have been reduced.
- 2.4 Whilst there are cash holdings, it should be noted that there is significant expenditure to come in the 1st quarter of 2023 financial year due to the scale of the Infrastructure Program which will gradually reduce this cash balance. Compared to cash holdings reported in Item 2.1.2 January 2022 Finance Report (Resolution 1232/2022), cash has already reduced \$3M from \$12.4M to the current level.
- 2.5 As at 30 June 2022, Council has not needed to draw down on existing cash advance debenture facilities (CAD's) for the 2021/22 year. The Council's cash holdings and borrowings will be monitored closely and when necessary we will draw down on the existing CAD facilities, noting there are appropriate levels of facilities available to manage any cash shortfalls.
- 2.6 With the reduction in the Infrastructure Program for 2021/22 of \$39.8M (as resolved by Council through Urban Services Committee Report November 2021 Item 4.1.6 and reflected in the Second Quarter Budget review) borrowing requirements had reduced in 2021/22 with higher borrowings in 2022/23 as a result of changes in project cashflows and project deferrals.

2.7 Reserves as at 30 June 2022:

	Opening Balance as 1/07/2021	Transfer to Reserves	Transfer from Reserves	Current Balance
Open Space Reserve	1,481,156	38,049	-	1,519,205
Car Parking Reserve	951,131	3,648	-	954,779
Property Disposal Reserve*	2,436,573	-	-	2,436,573
Mausoleum Perpetual Care Fund	875,275	48,131	-	923,406
Salisbury Memorial Park Reserve	915,135	3,510	-	918,645
Developer and Public Infrastructure Reserve	1,755,644	683,000	424,000	2,014,644
Salisbury Water Business Unit Reserve*	3,064,469	-	-	3,064,469

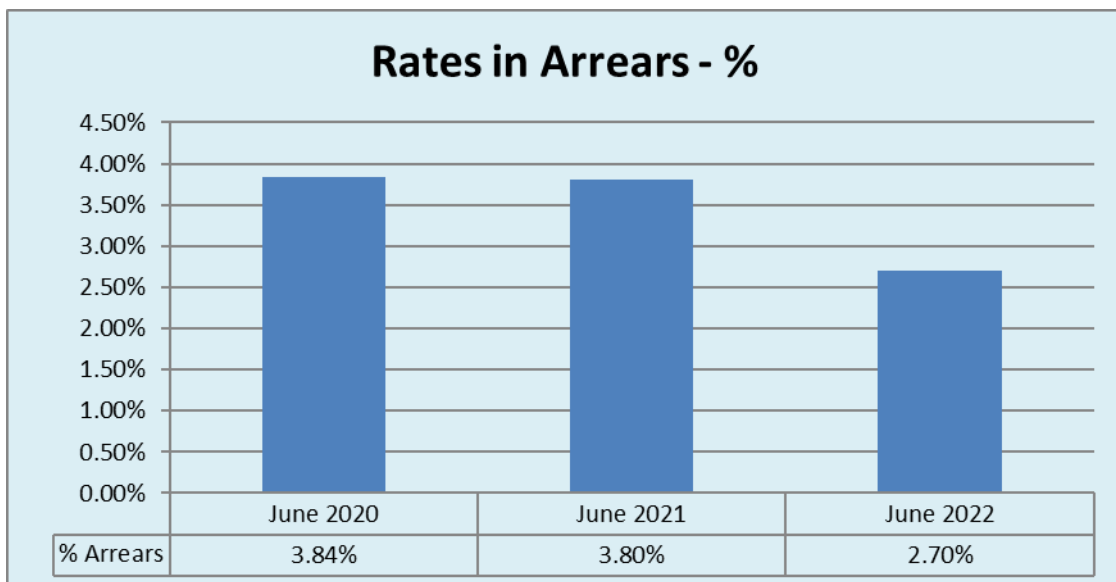
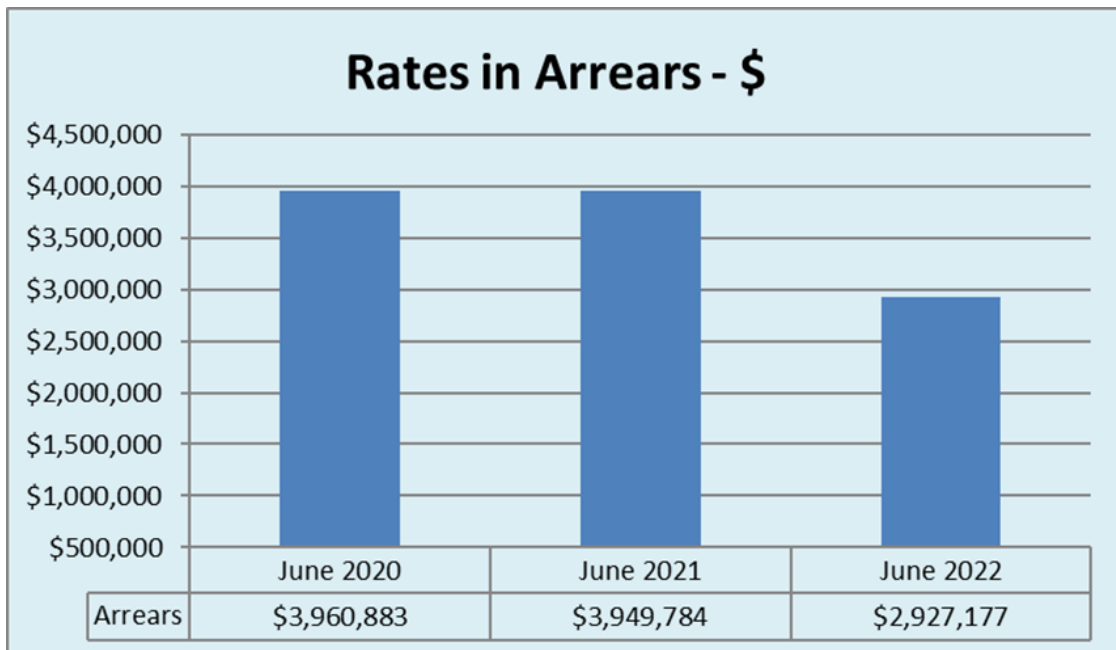
**Reserves to be finalised as part of the end of financial year processes*

- 2.8 Reserves are a device used to ensure that Council has sufficient funds allocated for specific purposes. Transfers to the Reserves represent amounts received as either contributions, indicative interest adjustments or property disposal proceeds. Transfers from the Reserves represent the funding being allocated to specific projects, or to reduce loan borrowing requirements.
- 2.9 At 30 June 2022 the most significant movements are the transfers to the Developer and Public Infrastructure Reserve of \$628k with significant items being a contribution of \$406k relating to the Vicinity Stage 3 development and \$222k returned to the Reserve relating to the Developer Funded Infrastructure program works that were either not required or not completed in the 2021/22 year. Transfers from the Developer and Public Infrastructure Reserve of \$424k relate to funding associated with the Developer Funded Infrastructure Program for the 2021/22 year, which was endorsed as part of the original budget.
- 2.10 Other smaller movements include a transfer to the Open Space Reserve of \$33k which also relates to the Vicinity Stage 3 development, \$45k contributions received to the Mausoleum Perpetual Care Fund, other various smaller contributions towards the Developer and Infrastructure Reserve \$48k and interest allocations totaling \$23k across all the reserves.
- 2.11 It should be noted that interest is apportioned on the balances of the Reserves on a monthly basis based on the LGFA at call rate at the beginning of the month, with Salisbury Water Business Unit Reserve and the Property Disposal Reserve being the only exceptions.

2.12 Recovery of Rates

	No of Accounts	\$	%
Outstanding Balance as at 30 June 2022*		1,561,086	1.47%
Outstanding Balance as at 30 June 2021*		2,161,014	2.12%
Outstanding Rates Arrears as at 30 June 2022	5,928	2,927,177	2.70%
Outstanding Rates Arrears as at 30 June 2021	5,375	3,949,784	3.80%

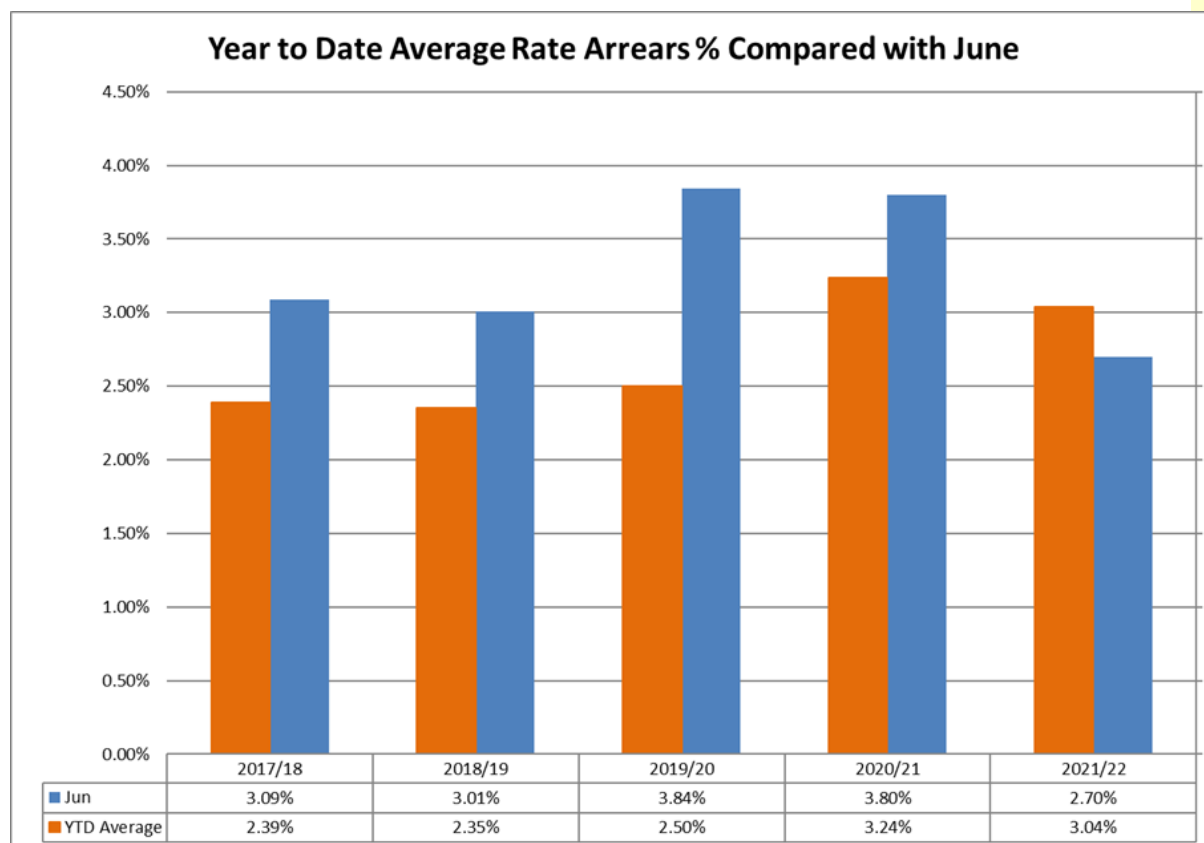
**The calculation of the outstanding balance is comprised of the amount outstanding at the time of the report, offset by payments for rates that have been received in advance. In previous reports, these amounts had also included Water Debtors and comparison data has been adjusted accordingly.*



2.13 The level of Council Rates in arrears at 30 June 2022 is 2.70% which is above the target maximum level for Rates Arrears of 2.5%. After a period of extended payment dates in the 2020 financial year and further COVID-19 implications resulting in a hold of collection activity during the 2021 financial year, all collection activity has recommenced subsequently resulting in our level of Rates Arrears to decrease significantly since June 2021.

2.14 The June 2022 arrears of \$2,927,177 is consistent with pre-Covid arrears levels of: June 2017 \$2,879,544 / 3.16%, June 2018 \$2,929,550 / 3.09%, and June 2019 \$2,983,580 / 3.06%. With collection practices now effectively re-established we expect to continue with arrears in line with historical levels, and it should be noted that the 2.70% arrears is a very good result compared with pre-covid arrears percentages.

2.15 Rate arrears are cyclical in nature in that they peak in the month rate installments fall due, and then typically trend downwards for the next two months, meaning that the rate arrears level at a point in time may be distorted, and that the average rate arrears normalises the cyclical impacts. The graph below depicts the average year to date rate arrears, with the average to June 2022 being 3.04%. Typically the year to date average is below the June end of year figure due to the cyclical nature of rate installments however in 2021/22 this is not the case. The average for the 2021/22 year is higher than the June arrears percentage and demonstrates the effectiveness of the re-establishment of collection processes.



2.16 Other Debtors as at 30 June 2022

Debtor Type	Current	30 – 60 days	60 - 90 days	Over 90 days	Total
Sundry	964,570	63,816	22,811	28,742	1,079,939
Salisbury Water	499,010	20,399	-	-	519,409
Inflammable Undergrowth	-	-	7,557	1,245	8,802
Health Licensing Fees	3,839	1,310	1,973	7,840	14,962
Property Management	151,232	33,771	14,672	4,493	204,168
TOTAL	1,618,651	119,296	47,013	42,320	1,827,280

2.17 The above aged analysis represents Council's other debtors at 30 June 2022. The total Debtors current total is \$1.6M, and includes various invoices raised in the standard course of business. All of these invoices are expected to be paid in the upcoming periods.

2.18 The aged analysis also represents Council's other debts outstanding as at 30 June 2022. Debts outstanding greater than 90 days account for 2.32% of the total outstanding balance. Debts that are outstanding for greater than 30 days are subject to Council's debt collection procedures, which include internal follow up and ultimately legal action through Council's debt collection agency.

2.19 Loan Schedule as at 30 June 2022

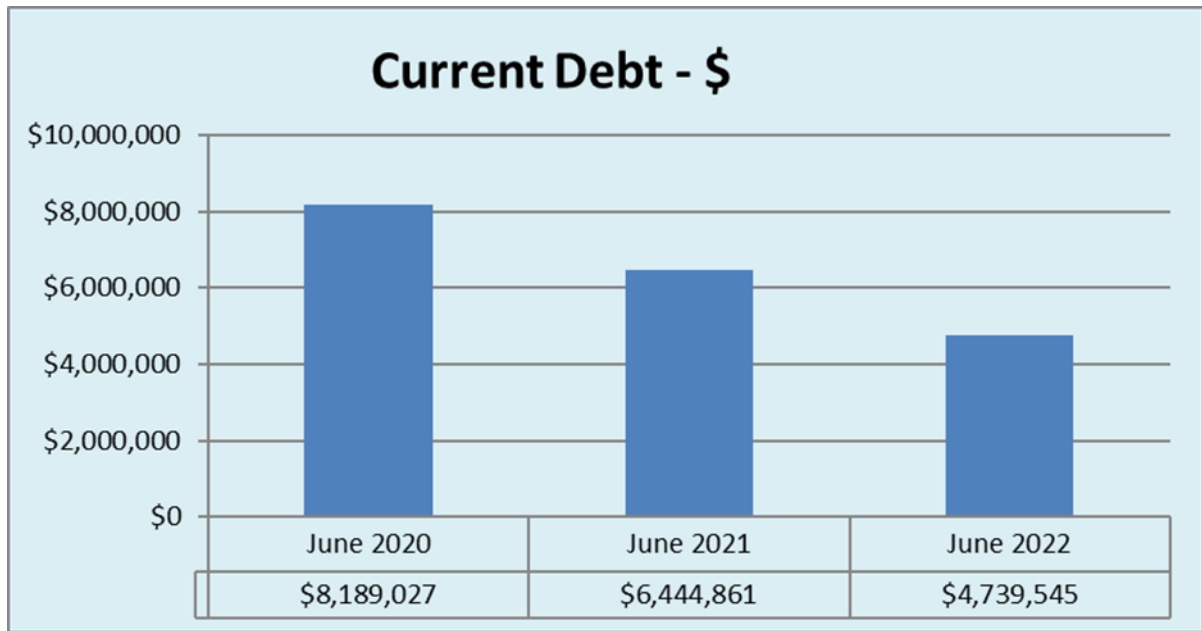
Debenture Loans	
Principal Outstanding as at 1 July 2021	6,444,861
Loans Raised Year to Date	0
Repayments of Principal Year to Date	1,705,316
Loan Principal Outstanding - Debenture Loans	4,739,545
Cash Advance Debenture Borrowings (CADs)	
Total CAD's available	50,317,000
Current CAD's drawdown amount year to date	0
Balance of CAD's available	50,317,000
Interest Payments (Debenture Loans and CADs)	
Interest Payments - Debenture Loans	403,664
Interest Payments - CAD's	0
Total Interest Payments	403,664

2.20 The above Loan Schedule summarises the position on loans taken for Council purposes. Fixed Term Borrowings detail total movements this financial year, with payments to be made half yearly, the first payment in December 2021 and another due in June 2022. There has been no drawdown on CAD's for the 2021/22 year as at 30 June 2022. It should be noted that Council resolved in September 2021 to enter into a CAD in the amount of \$23.2M (resolution 1097/2021) to support the delivery of the 2021/22 budget, however, with the level of available facilities this resolution has not yet been acted upon. This facility will be established as existing capacity is utilised on an ongoing basis.

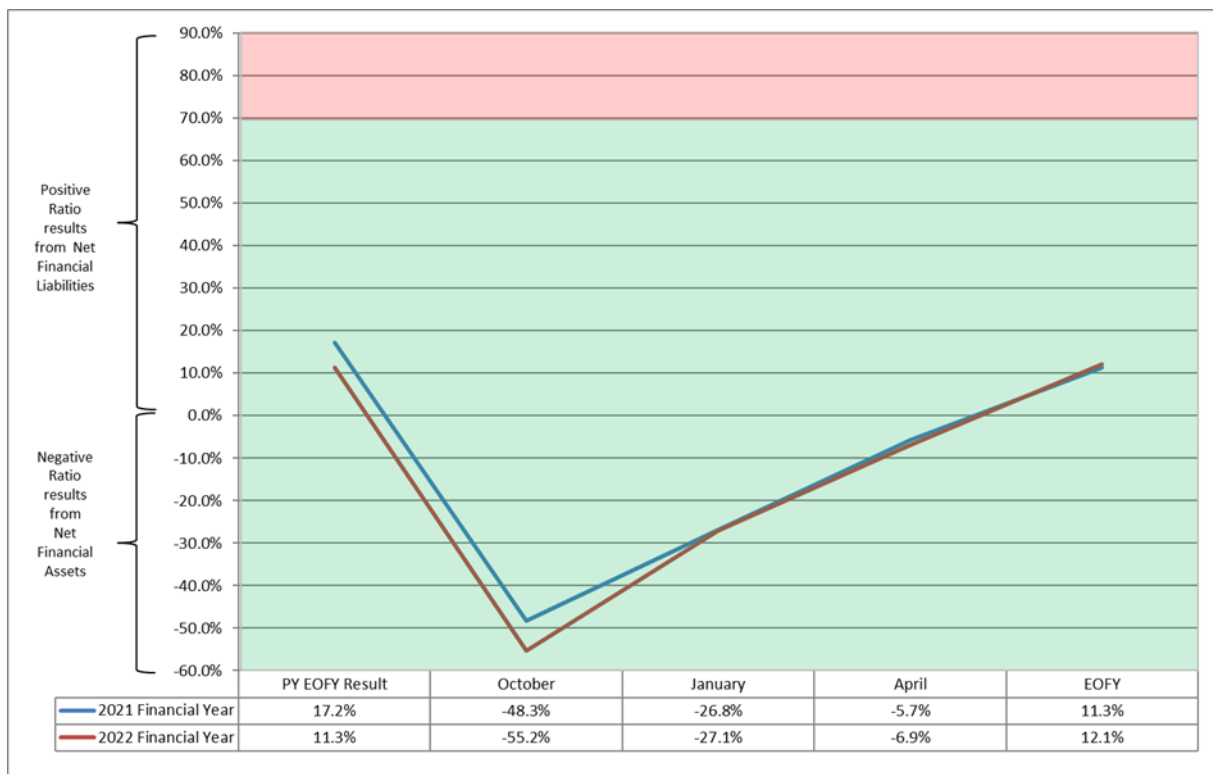
2.21 Not included in the above loan schedule is the \$350k Debenture Loan secured for special purpose borrowings, which is offset by a Loan Receivable. It should be noted that this loan receivable would have been equivalent to the Debenture loan payable of \$350k, however as loan repayments were deferred by Council for a period of 6 months with interest capitalized during this period (resolution 0492/2020), the Loan Receivable is now higher at \$364k.

2.22 The table below shows the level of fixed term loans and drawn down debt held by Council at the same time for the last three financial years and demonstrates a steady decrease in fixed term debt. This has resulted from Council's decision to utilise property development proceeds to offset borrowing requirements in prior years, and the shift to CADs which are drawn down as required, and the timing of delivery of the capital program.

2.23 The extensive infrastructure program for 2021/22 and the retiming / deferral and declarations of \$39.8M through the November 2021 Urban Service Report has contributed significantly to not needing to draw down on CADs during the 2021/22 financial year.



2.24 Net Financial Liabilities Ratio Comparison



2.1 The graph above shows the net financial liabilities ratio (NFL) comparison for the 2021 and 2022 financial years as at the time of preparation of each Council finance report, with the 2021 end of financial year result updated to the audited amount. Council’s approved range for the NFL is less than 70% as approved for the 2021/22 budget year which is represented by the green shaded area on the graph.

- 2.2 It should be noted that when the ratio is below zero, that this represents a net financial assets position, which is when the financial assets (cash, receivables and financial assets) are greater than total liabilities. Effectively this means that a negative ratio is favourable. When financial assets are less than total liabilities it results in a net financial liability position, and a positive ratio.
- 2.3 As can be seen the trend is that early in both financial years Council is in a strong net financial assets position. This reflects higher levels of cash holdings and trade receivables than levels of trade payables and debt. As the financial year progresses, cash holdings are reduced as the infrastructure program is delivered. At the end of the 2020/21 financial year Council was in a net financial liability position with a ratio of 11.3% which is in the endorsed range.
- 2.4 The budgeted ratio for 2021/22 for the net financial liabilities is 78.2%. However, at the end of 2021/22 financial year, Council was in a net financial liability position of 12.1%. A significant factor contributing to this lower ratio is the reduction to the Infrastructure Program of \$39.8M (as resolved by Council through Urban Services Committee Report November 2021 Item 4.1.6 and reflected in the Second Quarter Budget Review). Therefore, borrowing requirements were reduced in 2021/22 and the net financial liabilities ratio is below (favourable) to the budgeted expectation.

3. CONCLUSION / PROPOSAL

- 3.1 The analysis above demonstrates that Council is currently in a sound financial position. It should be noted that Council has appropriate levels of borrowing facilities to manage any cash shortfalls that may result.
- 3.2 Whilst this report provides only a summary of key financial data as 30 June 2022, the full financial results for the financial year will be reported on as part of the 2022 Annual Financial Statements which will be presented to Council in October 2022.