



Audit Committee

AGENDA

NOTICE OF MEETING

Notice is hereby given that a meeting of the Audit Committee will be held in the

**Alwyndor Aged Care
Boardroom
52 Dunrobin Road, Hove**

Wednesday 30 June 2021 at 6.00pm

**Roberto Bria
CHIEF EXECUTIVE OFFICER**



Audit Committee Agenda

1. OPENING

The Presiding Member, Councillor Smedley will declare the meeting open at 6.00pm.

2. APOLOGIES

2.1 Apologies received - Nil

2.2 Absent - Nil

3. DECLARATION OF INTEREST

If a Member has an interest (within the terms of the Local Government Act 1999) in a matter before the Committee they are asked to disclose the interest to the Committee and provide full and accurate details of the relevant interest. Members are reminded to declare their interest before each item.

4. CONFIRMATION OF MINUTES

Motion

That the minutes of the Audit Committee held on 2 June 2021 be taken as read and confirmed.

Moved _____, Seconded _____

Carried

5. ACTION ITEMS - Nil

6. REPORTS BY OFFICERS

6.1 Treasury Management Policy Amendment (Report No: 212/21)

7. URGENT BUSINESS – Subject to the Leave of the Meeting

8. CONFIDENTIAL ITEMS

8.1 Alwyndor Draft Investment Strategy 2021 (Report No: 210/21)

Pursuant to Section 90(2) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Audit Committee Members upon the basis that the Audit Committee consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- b. Information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the**

commercial position of the council; and would, on balance, be contrary to the public interest.

- d. commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and would, on balance, be contrary to the public interest.**

9. DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will be held on Wednesday 18 August 2021 in the Kingston Room, Civic Centre, 24 Jetty Road, Brighton at 6.00pm

10. CLOSURE



**ROBERTO BRIA
CHIEF EXECUTIVE OFFICER**

Item No: **6.1**

Subject: **TREASURY MANAGEMENT POLICY AMENDMENT**

Date: 30 June 2021

Written by: Manager Financial Services

General Manager: Strategy & Corporate, Ms P Jackson

SUMMARY

At its meeting held on 20 July 2020, the Audit Committee supported the recommendation of the Alwyndor Management Committee (AMC) to commence a review of investment options for Alwyndor with the intention of developing an Investment Strategy in order for Alwyndor to stay competitive in the Aged Care industry.

An investment consultant was engaged to assist with the development of Alwyndor's draft Investment Strategy which has been received by the Audit Committee.

In order to implement the strategy an amendment is required to the Councils Treasury Management Policy

RECOMMENDATION

- 1. The Audit Committee advises Council that:**
 - a) it has received and reviewed the draft amended Treasury Management Policy; and**
 - b) it recommends that the amended Treasury Management Policy be adopted by Council.**
-

COMMUNITY PLAN

A Place to do Business
A Place that Provides Value for Money

COUNCIL POLICY

Treasury Management Policy

STATUTORY PROVISIONS

Local Government Act 1999, Sections 122

Local Government (Financial Management) Regulations 2011, Regulation 5

Aged Care Act 1997

REPORT

At its meeting held on 21 May 2020, the AMC supported a recommendation to Council, via the Audit Committee, to commence a process to review the investment options for Alwyndor with a view to expanding investment options and reflecting this through amendments to the Council's Treasury Management Policy.

At its meeting held on 20 July 2020, the Audit Committee supported the commencement of the review. The Audit Committee at its meeting on 30 June 2021 received a report on a draft Investment Management Strategy (IMS) for Alwyndor.

In order to implement the recommended Alwyndor IMS amendments are required to Councils existing Treasury Management Policy.

The policy has been amended to incorporate the IMS and is attached both with track changes and a final draft document.

Refer Attachments 1a and 1b

The draft policy includes a new section dealing specially with Alwyndor investments in accordance with investment objectives, risk tolerances considerations and constraints detailed in the IMS.

BUDGET

This report does not have any direct budget implications.

Attachment 1a



Classification:	Statutory Policy.
Trim Container	B3292
Trim Document Number:	DOC/16/31769
First Issued / Approved:	14/4/2011
Last Reviewed:	9/06/2015 C090615/129
Next Review:	1/06/2019
Responsible Officer:	Manager Financial Services
Date Placed on Web:	9/06/2015

1. PREAMBLE

1.1 Background

This policy establishes a decision framework to ensure that:

- (a) Council is able to meet its financial obligations as they fall due and to provide appropriate funding capacity to meet unforeseen events as they arise;
- (b) Council procures funds at the lowest overall cost and with minimal impact of adverse movements in interest rates;
- (c) Council’s investments are with credit-worthy institutions to minimise the risk of loss.

1.2 Purpose

The purpose of this policy is to provide clear direction to management, staff and Council in relation to the treasury (funds) management and is designed to actively support Council’s commitment to financial sustainability.

1.3 Scope

This policy applies to all Council activities.

1.4 Definitions

“Treasury Management” means managing borrowings, investments and cash flows.

“Financial Sustainability” means meeting long term service and infrastructure levels and standards without unplanned increases in rates or disruptive cuts to services.

TREASURY MANAGEMENT POLICY

“Long Term Financial Plan” means the primary financial document linked to the Strategic Plan and informed by the Asset Management Plan expressing activities over at least 10 years providing guidance to formulate a financially sustainable business plan and budget.

“Net Financial Liabilities” means total liabilities less financial assets, where financial assets for this purpose include cash, investments, receivables and prepayments, but excludes inventories and land held for resale.

“Net Financial Liabilities Ratio” means Net Financial Liabilities as a percentage of Operating Revenue.

“Interest Cover Ratio” means the extent to which operating revenues are committed to net interest expense.

“Inter-generational Equity” means resources and assets do not belong to one generation but are administered and preserved for future generations.

“LGFA” means Local Government Finance Authority, being an authority established under the Local Government Finance Authority Act 1983. Under the Act the South Australia Government guarantees all of the Authority’s liabilities, including monies accepted on deposit from clients. The Authority develops and implements borrowing and investment programs for the benefit and interests of Local Government.

“S&P” means Standard & Poors global credit rating agency which is independent and expresses an opinion about the ability and willingness of an institution such as a corporation or government, to meet its financial obligations in full and on time. An AA rating means the institution has a very strong capacity to meet financial commitments.

“Reserve Funds” means funds set aside in an account to meet any unexpected costs that may arise in the future costs of asset renewal or replacement.

1.5 ***Strategic Reference***

Our Place Community Plan 2012-2015. A place that provides value for money.

2. **POLICY STATEMENT**

2.1 **Treasury Management Strategy**

Finances will be managed holistically in accordance with overall financial sustainability strategies and annually reviewed targets. This means that Council will:

- (a) Maintain target ranges for Net Financial Liabilities and Net Financial Liabilities Ratio;
- (b) Maintain target range for Interest Cover Ratio;

TREASURY MANAGEMENT POLICY

- (c) Not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- (d) Borrow funds in accordance with the requirements set out in its Long Term Financial Plan;
- (e) Maintain a minimum amount of liquidity.

2.2 Liquidity

Council will maintain a minimum amount of cash on hand or at call to meet projected cash needs and maintain a \$1million standby credit facility with the LGFA which can be accessed immediately on the approval of the Chief Executive Officer (or delegate) should the need arise.

Any funds that are not immediately required to meet approved expenditure or minimum liquidity will be applied in the following order of priority:

1. reduce existing borrowings where it is cost effective to do so;
2. defer the timing of new borrowings;
3. invest in accordance with this policy.

2.3 Borrowings

Council recognises the prudent use of borrowings to spread costs over time in support of the principle of intergenerational equity.

Borrowings will be managed in accordance with overall financial sustainability strategies and legislative requirements. This means that Council will:

- (a) approve borrowings having regard to the annual budget, long term financial plan and financial targets;
- (b) borrow in accordance legislative powers pursuant to section 44(3)(c) of the *Local Government Act 1999*;
- (c) not attach borrowings to specific expenditure commitments or assets;
- (d) maintain flexibility and capacity to borrowings comprising a mixture of:
 - (i) maturity dates;
 - (ii) variable and fixed interest rates;
 - (iii) interest only and amortising loans;
 - (iv) cash advance debentures that enable principal draw down and repayment without penalty;
- (e) borrow from the LGFA (being the preferred financial institution) or the Commonwealth Bank, ANZ, NAB or Westpac;
- (f) not borrow directly from any retail market through the issue of bonds or other debentures.

TREASURY MANAGEMENT POLICY

- (g) not deal in swaps and derivatives without Council approval.

Loans to community organisations must be approved by Council and will be funded by borrowings in accordance with this policy and Council's "Borrowing Guidelines for Community Organisations".

2.4 Municipal Investments

Council's Municipal funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or to avoid raising new borrowings will be invested.

When investing these funds Council will select the investment type which delivers the best value having regard to investment returns, transaction costs, future funding needs and other relevant factors. This means that council will invest surplus funds with:

- (1) the LGFA (being the preferred financial institution);
- (2) SA or Commonwealth Government Bonds;
- (3) interest bearing deposits or bank accepted/endorsed bills with banks with:
 - (i) short term credit rating from S&P of not less than A1 for investments of not more than 12 months;
 - (ii) long-term credit rating from S&P of not less than AA- for investments greater than 12 months.

Investments will be made in accordance with this policy by the Chief Executive Officer (or delegate) in accordance with section 139 of the Local Government Act. Council approval is required for Municipal investments with a maturity date greater than 12 months.

2.5 Alwyndor Investments

Alwyndor's investments are to be made in accordance with the Alwyndor Management Committee (AMC) endorsed Alwyndor Investment Management Strategy (IMS), recommended by AMC and endorsed by Council;

When investing these funds Alwyndor management (under approved delegation) will determine an appropriate investment strategy with permitted financial products based on cash flow requirements and agreed risk profile in accordance with Schedule A of the approved IMS.

Permitted financial products are as specified in the Aged Care Act 1997.

Consideration will be given to different asset investment types and timeframes, including cash and deposits; bonds and debentures; income securities and shares.

Any holdings in cash, deposits, bonds and debentures and income securities must meet credit rating exposures as listed in Schedule A of the approved IMS.

Investments are not to be made in speculative instruments; shareholdings or leveraged

TREASURY MANAGEMENT POLICY

[products and other complex instruments.](#)

[Investments can be made with a maturity date greater than 12 months in accordance with the IMS principles.](#)

2.5 Reserve Accounting

Council will not maintain cash-backed reserves unless required to by legislation or agreement with third parties.

Existing cash-backed reserves will be managed as follows:

- (1) provisions for future capital expenditure will be included in Council's long term financial plan;
- (2) existing cash reserve funds will be applied to reduce borrowings or to avoid raising new borrowings.

2.6 Reporting

Council will receive the following reports:

- (1) annual long term financial plan projections including financial targets;
- (2) annual review of borrowing and investment performance pursuant to section 140 of the Local Government Act;
- ~~(3)~~ summary of the level of borrowings, investments and net financial liabilities at each budget review;

TREASURY MANAGEMENT POLICY

~~(4)~~(3) as required a schedule of borrowings and cash when considering new borrowing or investing surplus cash for greater than 12 months.

~~(5)~~(4) as required, in instances of a breach of policy, an audit report to the CEO, chair of the Audit Committee and Internal Auditor.

~~(6)~~(5) as required a report on adherence to treasury management internal controls including liquidity, borrowing and investing of surplus funds.

3. REFERENCES

3.1 Legislation

For borrowings:

- (1) Local Government Act, 1999, sections 44, 122, 134.
- (2) Regulations 5 and 5B of the Financial Management Regulations under the Act.

For investments:

- ~~(1)~~ ~~(1)~~ Local Government Act, 1999, sections 47, 139, 140.
- ~~(1)~~(2) [Aged Care Act 1997.](#)

3.2 Other References

[Alwyndor Aged Care – Investment Management Strategy](#) Nil.

Attachment 1b



Classification:	Statutory Policy.
Trim Container	B3292
Trim Document Number:	DOC/16/31769
First Issued / Approved:	14/4/2011
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TREASURY MANAGEMENT POLICY

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TREASURY MANAGEMENT POLICY

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TREASURY MANAGEMENT POLICY

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- (3) summary of the level of borrowings, investments and net financial liabilities at each budget review;
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For investments:

- (1) Local Government Act, 1999, sections 47, 139, 140.
- (2) Aged Care Act 1997.

3.2 Other References

TREASURY MANAGEMENT POLICY

Alwyndor Aged Care – Investment Management Strategy

Proposed Changes