

5.3. VARIOUS FINANCIAL POLICIES

REPORT AUTHOR Tara Killeen, Chief Financial Officer

DEPARTMENT Finance, Procurement and ICT

RECOMMENDATION

That Council adopts the:

1. **Asset Capitalisation General Policy**
 2. **Debt Recovery General Policy**
 3. **Investment General Policy**
 4. **Rates Based Financial Assistance General Policy**
 5. **Revaluation of Non-Current Assets General Policy**
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EXECUTIVE SUMMARY

In accordance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012* Council is required to periodically review and adopt the above Policies.

BACKGROUND

The Asset Capitalisation General Policy sets the thresholds for the capitalisation of non-current assets for the Council. The only change to the Policy is the Manager responsible is now the Chief Financial Officer (CFO).

The Debt Recovery General Policy establishes a policy for the recovery of outstanding Rates and Charges and other accounts receivable. The only change to the Policy is the Manager responsible is now the CFO.

The Investment General Policy establishes the Council's guidelines regarding the investment of cash holdings with a view to maximising earnings, whilst minimising risk. The only changes to the Policy are: the CEO now delegates to the CFO rather than the GM Corporate Services and the Manager responsible is now the CFO.

The Rates Based Financial Assistance Policy outlines the policy for provision of rates based financial assistance to not for profit recreation, sporting and community groups. The only change to the Policy is the Manager responsible is now the CFO.

The Revaluation of Non-Current Assets General Policy determines the treatment of revaluation of non-current assets in accordance with relevant Australian Accounting Standards. The only change to the Policy is the Manager responsible is now the CFO.

ATTACHMENTS

1. Asset Capitalisation General Policy **[5.3.1 - 1 page]**
2. Debt Recovery General Policy **[5.3.2 - 1 page]**
3. Investment General Policy **[5.3.3 - 3 pages]**
4. Rates Based Financial Assistance General Policy **[5.3.4 - 1 page]**
5. Revaluation of Non- Current Assets General Policy **[5.3.5 - 2 pages]**

ASSET CAPITALISATION GENERAL POLICY

Intent

To set thresholds for the capitalisation of non-current assets for Douglas Shire Council.

Scope

This policy applies to all Douglas Shire Council activities.

Reference

Legislation: *Local Government Regulation 2012*

Other: Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB)

Provisions

The following sets out the Asset Capitalisation Thresholds for Douglas Shire Council as required by Section 206 of the *Local Government Regulation 2012*.

Definition

Australian Accounting Standard AASB 116 defines Property Plant and Equipment as tangible items that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period.

The Standard states that the cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

In simpler terms a non-current asset may generally be an item with a life of more than 12 months and any expenditure on an item which meets the above criteria may be eligible for capitalisation.

Thresholds

In accordance with the limits prescribed by Section 224 of the *Local Government Regulation 2012*, the capitalisation thresholds for Council are set at \$1 for land, \$1 for network assets, \$5,000 for plant and equipment and \$10,000 for all other assets. Any expenditure below these thresholds is expensed in the period in which it is incurred.

Related Documents

This policy is to be used in conjunction with Council's:

- Procurement General Policy
- Revaluation of Non-Current Assets General Policy

This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Chief Financial Officer

ORIGINALLY ADOPTED: 16/06/2015

CURRENT ADOPTION: 18/6/2019

DUE FOR REVISION: 30/06/2023

DEBT RECOVERY GENERAL POLICY

Intent To establish a policy for the recovery of outstanding Rates and Charges and other accounts receivable.

Scope This policy applies to all Rates and Charges levied and other accounts receivable of Council.

REFERENCE**Legislation:**

Local Government Act 2009

Local Government Regulation 2012

PROVISIONS

The following sets out the Debt General Policy for the year ended 30 June 2018 as required by Section 192 of the *Local Government Regulation 2012*.

Principles

Rates and charges are identified in Chapter 4 of the *Local Government Regulation 2012* as including differential general rates, minimum general rate levies, separate rates and charges, special rates and charges, utility charges and accrued interest on outstanding balances. Accounts Receivable are debts owed to Council by customers for the supply of goods and services.

Council will undertake appropriate debt recovery action for all outstanding rates and charges and other accounts receivable in accordance with its debt recovery procedures, including compliance with the relevant provisions of the *Local Government Regulation 2012*. Such action will include the establishment of repayment plans where appropriate.

No action will be commenced regarding the possible sale of properties/assets to recover outstanding monies without first providing a report to Council and obtaining an appropriate resolution from Council.

Delegation of Authority

The Chief Executive Officer has delegated authority to write off amounts of up to \$2,500 for rates and charges (including interest and legal costs) or other accounts receivable per customer as a bad debt.

The Chief Financial Officer has delegated authority to write off amounts of up to \$500 for rates and charges (including interest and legal costs) or other accounts receivable per customer as a bad debt.

Outstanding amounts greater than \$2,500 can only be written off by Council resolution.

This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Chief Financial Officer

ORIGINALLY ADOPTED: 16/06/2015

CURRENT ADOPTION: 18/06/2019

DUE FOR REVISION: 30/06/2020

INVESTMENT GENERAL POLICY

Intent

To outline Douglas Shire Council's investment policy and guidelines regarding the investment of cash holdings with an objective of maximising earnings whilst minimising risk to ensure the security of Council funds.

Scope

This policy applies to the investment of all cash holdings of Douglas Shire Council. For the purpose of this policy, investments are defined as arrangements that are undertaken for the purpose of producing income.

Reference

Legislation:

Local Government Act 2009

Local Government Regulation 2012

Statutory Bodies Financial Arrangements Act 1982

Statutory Bodies Financial Arrangements Regulation 2007

Provisions

Authority for Investment

All investments are to be made in accordance with the requirements of the Statutory Bodies Financial Arrangements Act and Regulation.

Ethics and Conflicts of Interest

Prudent person standard

The standard of prudence is to be used by investment officers when managing the overall portfolio. Investments will be managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. This includes having in place appropriate reporting requirements that ensure the investments are being reviewed and overseen regularly.

Investment officers are to manage the investment portfolios not for speculation, but for investment and in accordance with the spirit of this Investment Policy. Investment officers are to avoid any transaction that might harm confidence in Council. They will consider the safety of capital and income objectives when making an investment decision.

Ethics and conflicts of interest

Investment officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This includes activities that would impair the investment officer's ability to make impartial decisions as outlined in Council's Code of Conduct. This policy requires that investment officers disclose any conflict of interest that could be related to the investment portfolio.

Delegation of authority

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with section 257 of the *Local Government Act 2009*.

Authority for the day to day management of Council's investment portfolio is delegated by the Chief Executive Officer to the Chief Financial Officer.

Investment Parameters

Investable funds

For the purposes of this policy, investable funds are Council’s cash holdings available for investment at any one time.

The investable funds should match the cash flow needs of Council deemed by the Chief Financial Officer after preparing Council’s annual budget and cash flow forecasts.

Authorised investments

Council is allocated Category 1 Investment Powers under the *SBFA Regulation 2007*. All investments must be denominated in Australian Dollars and undertaken in Australia. All investments undertaken by Council should be in accordance with the authorised investments definitions and restrictions as specified throughout this policy.

Portfolio investment parameters

The structure and features of Council’s investments are to be consistent within the risk parameters, liquidity requirements and operational guidelines of Council as set out below.

Quotations on Investments

At least two quotations shall be obtained from different authorised institutions when an investment is proposed (excluding at call funds).

In assessing the fair value of quotes obtained, the risk of the entity providing the return must be considered.

Term to Maturity

The term to maturity of any of Council’s direct investments may range from at call to 1 year and will be dependent upon Council’s future cash flow requirements, credit risk guidelines and the prevailing outlook regarding interest rates.

Liquidity

Council will manage its day to day liquidity needs through maintaining an appropriate cash balance in its transactional banking account and at call investment account.

Diversification/Credit risk

The amount invested with any one financial institution should be in accordance with the guidelines in Table 1.

TABLE 1 Diversification / Credit Risk Guidelines

N.B. The following percentages are based on average annual funds invested.

Banking Institution	Minimum % of Total Investments	Maximum % of Total Investments	Maximum Term (for fixed term investments only)
QTC Cash Fund	0%	100%	1 year
Commonwealth Bank	0%	100%	1 year
Westpac	0%	100%	1 year
National Bank	0%	100%	1 year
ANZ	0%	100%	1 year

Other Australian banks with a physical presence in the Council area	0%	40%	180 days
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This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review: Chief Financial Officer

ORIGINALLY ADOPTED: 16/06/2015
 CURRENT ADOPTION: 18/6/2019
 DUE FOR REVISION: 30/06/2023
 REVOKED/SUPERSEDED:

RATES BASED FINANCIAL ASSISTANCE GENERAL POLICY

Intent

To establish a policy for the provision of rates based financial assistance to not for profit recreation, sporting and community groups.

Scope

This policy will allow Council to consider applications for remissions of general rates and sewerage charges from not for profit community based organisations from recreation, sporting and community groups.

Reference

Legislation:

Local Government Regulation 2012

Provisions

Under the provisions of the *Local Government Regulation 2012*, Council may resolve to grant a ratepayer a concession for rates and charges provided the specified criteria is met by the ratepayer. This policy only applies to not for profit organisations, sporting and community groups who make an application for rating concession.

The applicant organisation must be the owner or lessee and occupier of the land with the rate notice being issued in the organisation's name. Furthermore the applicant organisation's constitution must prohibit any member of the organisation from making a private profit or gain, either from the ongoing operations of the organisation or as a result of the distribution of assets if the organisation is wound up.

The land for which an application is made must be used for the purpose to which the rating concession applies. Organisations that manage premises with gambling machines or whose main activity is gambling will not be considered eligible. Similarly, not for profit organisations, sporting and community groups will not be eligible if they have a contractual arrangement, either formally or informally, with a third party that derives an income or benefit from this arrangement.

Council may provide up to 100% concession of the general rate and up to 50% of sewerage charges for organisations that comply with the requirements of this policy.

This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Chief Financial Officer

ORIGINALLY ADOPTED: 24/06/15

CURRENT ADOPTION: 18/06/2019

DUE FOR REVISION: 30/06/2020

REVALUATION OF NON-CURRENT ASSETS GENERAL POLICY

Intent

To define Douglas Shire Council's policy in relation to the revaluation of non-current assets.

Scope

This policy applies to tangible non-current assets held by Douglas Shire Council.

Reference

Other:

Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB)

Provisions

The following outlines Council's application of Australian Accounting Standards AASB 13 Fair Value Measurement and AASB 116 Property Plant and Equipment in relation to the revaluation of its non-current assets.

Principles

AASB 116 Property Plant and Equipment requires the application of either the cost model or revaluation model to each class of asset held. Council measures plant and equipment, office furniture and fittings, other assets and work in progress at cost and all other asset classes at revaluation. Further detail is provided in Appendix 1.

The revaluation model requires assets to be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Comprehensive revaluations are conducted at least every five years on a rolling basis in accordance with Council's asset revaluation schedule.

In the intervening periods consideration will be given to the application of indices for individual asset classes based on a desktop assessment of the likely material movement in fair values. Indexation will be applied if the cumulative change in the indexation rate is 5% or greater (either positive or negative). Any non-material changes (ie less than a 5% cumulative change) will not be accounted for each year.

In accordance with the requirements of AASB 13 Fair Value Measurement, movements between the levels of the fair value hierarchy will be recognised on the last day of the relevant year.

The annual revaluation results are included as part of the approval process for the annual financial statements.

Related Documents

This policy is to be used in conjunction with Council's:

- Asset Capitalisation General Policy
- Asset Revaluation Schedule

This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Chief Financial Officer

ORIGINALLY ADOPTED: 16/06/2015

CURRENT ADOPTION: 18/06/2019

DUE FOR REVISION: 30/06/2023

Asset class	Revaluation method	Valuation method
Land and land improvements	Revaluation model	Freehold land – market value Crown land – not valued Land improvements – Replacement cost
Buildings and other structures	Revaluation Model	Replacement cost
Plant and equipment	Cost model	Historical cost
Office furniture and fittings	Cost model	Historical cost
Transport assets	Revaluation Model	Replacement cost
Water, Sewerage and Solid waste disposal	Revaluation Model	Replacement cost
Drainage	Revaluation Model	Replacement cost
Other assets	Cost Model	Historical cost
Work in Progress	Cost model	Historical cost