



LEETON SHIRE COUNCIL
Preserving the Past, Enhancing the Future

LEETON SHIRE COUNCIL POLICY

OVERDRAFT FACILITIES

OVERDRAFT POLICY

1. POLICY OBJECTIVES

- 1.1 The overdraft facility is only used for short term unavoidable and essential cash flow purposes.

2. BACKGROUND

- 2.1 An overdraft facility is a flexible line of credit providing access to funds to manage the day to day cash flow needs of Council.
- 2.2 Leeton Shire Council has an established bank overdraft facility for a maximum pre-agreed limit of \$545,000 available from Council's banking institution.
- 2.3 Council will generally avoid the use of the overdraft facility via careful liquidity management practices that should ensure sufficient funds are available to fund daily expenditure requirement.
- 2.4 Council maintains a 24 hour cash call account that can be utilised to overcome unplanned short term liquidity demands.
- 2.5 Council adopts a rolling maturity profile for its investments which can also be used to meet unplanned calls upon its cash,

3. ELIGIBILITY

- 3.1 This policy applies to all council bank accounts. (with the exception of established loan facilities)

4. GUIDELINES

4.1 Policy Statement

The bank overdraft facility may be utilised during the course of the financial year only as a cash management tool to smooth out seasonal or temporary fluctuations in cash flows.

4.2 Principles

The bank overdraft facility is a form of borrowing that is a high cost alternative relative to other forms of funding.

It is not appropriate for overdraft facilities to be used for medium or long term financing purposes (for example, to purchase assets) and not to be used as an alternative to borrowing.

At no time is the overdraft facility to be used as an ongoing debt facility or to fund anything except the highly unlikely need to meet unexpected short-term cash flow needs.

5. RESPONSIBILITY/ACCOUNTABILITY

- 5.1 The Finance Co-ordinator and Financial Services Manager are responsible for monitoring and managing the day to day cash flow requirements of Council
- 5.2 The Finance Co-ordinator and Financial Services Manager are responsible for ensuring the cash flows are managed in such a way as to minimise the use of the overdraft facility

6. RELATED POLICIES

- 6.1 Borrowing Policy

7. RELATED PROCEDURES

- 7.1 Nil

8. RELATED LEGISLATION

- 8.1 **Local Government Act 1993 - Part 12 - Loans**
Section 622 - What form may a council borrowing take?
A council may borrow by way of overdraft or loan or by any other means approved by the Minister.
- 8.2 **Local Government (General) Regulation 2005**
Clause 229 - Loans to council to be a charge on council's income.
The repayment of money borrowed by a council whether by way of overdraft or otherwise), and the payment of any interest on that money, is a charge on the income of the council.

9. ATTACHMENTS

- 9.1 Nil

10. RESOURCES

- 10.1 The following resources were used in the development of this policy:
- Local Government Act 1993 (NSW)
 - Local Government (General) Regulation 2005 (NSW)
 - Division of Local Government "Promoting Better Practice Review Checklist"

Policy History:

Date of Adoption/Amendment	Resolution Number
23 February 2011	11/55
26 June 2013	13/136
22 February 2017	17/018