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## FP013 – Overdraft Facility

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### 1. Intention

To establish and provide guidance in the use of an overdraft facility for short term unavoidable cash flow purposes.

### 2. Scope

This policy applies to Elected Members and employees of the Shire of Waroona.

### 3. Statement

An overdraft facility is a flexible line of credit providing access to funds to manage day to day cash flow needs of Council.

The Shire of Waroona has established a bank overdraft facility for a maximum pre agreed limit of \$500,000 available from the National Australia Bank (NAB).

Finance employees as a general procedure will avoid the use of the overdraft facility via careful cash management practices.

This policy applies to Council's "Municipal Account".

#### 3.1.1 Guidelines

1. 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 flow. Generally this would only occur during the immediate period leading up to the issue of rate notices.
2. The bank overdraft facility is a form of borrowing that is a high cost alternative to other forms of funding. As such use of the facility shall be limited whenever possible.
3. It is not appropriate for overdraft facilities to be used for medium or long term financing purposes and its use as an alternative to borrowings is not permitted.
4. At no time is the overdraft facility to be used as an ongoing debt facility or to fund anything except short term cash flow.

### 4. Legislative and Strategic Context

The *Local Government Act 1995* and the associated subsidiary legislation provide the broad framework within which this policy operates.

### 5. Review

This policy is to be reviewed triennially.

### 6. Associated Documents

Nil.

<b>Division</b>	Finance				
<b>Policy Number</b>	FP013				
<b>Contact Officer</b>	Chief Executive Officer				
<b>Related Legislation</b>	Local Government Act 1995 Local Government (Financial Management) Regulations 1996 Local Government (Functions and General) Regulations 1996				
<b>Related Shire Documents</b>	FP001 – Purchasing and Procurement				
<b>Risk Rating</b>	Low	<b>Review Frequency</b>	Triennially	<b>Next Review</b>	June 2027
<b>Date Adopted</b>	18/12/2018				OCM18/12/126

Amendments		
Date	Details of Amendment	Reference
22/06/2021	Updated as part of major review and reformatted.	OCM21/06/071
25/06/2024	Reviewed without amendment	OCM24/06/090
Previous Policies		
FIN026 – Overdraft Facility		