

	Treasury Management Policy	
	Version Adoption by Council: 24 July 2023 Resolution Number: 2023/187 Current Version: V1.8	
	Administered by: Director - Finance	Last Review Date: 2023 Next Review Date: 2025
Document No: D23/18426	Strategic Objective: Proactive Leadership Strategic and sustainable financial management	

1. Objective

Council is committed to adopting and maintaining a Long Term Financial Plan and operating in a financially sustainable manner.

This 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; and
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

2. Scope

This Policy provides clear direction to Council and staff in relation to the treasury function of Council. 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.

3. Specific Provisions/Responsibilities

3.1 Treasury Management Strategy

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
- 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).

Note: Electronic version in Council's EDRMS is the controlled version. Printed copies are considered uncontrolled.
Before using a printed copy, verify that it is the current version.

Council will manage its finances in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for its Net Financial Liabilities;
- not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- borrow funds in accordance with the requirements set out in its Long Term Financial Plan; and
- 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.

3.2 Interest Rate Risk Exposures

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.

3.3 Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve and thereafter maintain on average in any year, of not less than 30% of its gross debt 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.

In circumstances where Council needs to raise new fixed interest rate borrowings it will consider using medium to long term borrowings (3 years or more duration) that:

- have a fixed interest rate;
- require interest payments only; and
- allow the full amount of principal to be repaid (or rolled over) at maturity.

Council will ensure that no more than 25% of its fixed interest rate borrowings mature in any year.

3.4 Variable Interest Rate Borrowings

Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, not less than 30% of its gross debt on average in any year in the form of variable interest rate borrowings.

Council will establish, and make extensive use of, a long term variable interest rate borrowing facility/[LGFA's](#) Cash Advance Debenture facility, that requires 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.

3.5 Borrowing for Council or Local Community/Sporting Organisations

No officer of the Council is authorised to undertake the establishment of a new loan facility without the authorisation of the Council.

Loans funds may be raised on behalf community and sporting organisation that are situated within the Council area, the purpose of which should be for capital items or infrastructure.

Before providing loans to local organisation, the Council shall take into account:

- the ability of the organisation to satisfactorily meet loan repayments
- provision of security in the event that repayments cannot be met
- a financial assessment must occur which shall include provision of the organisations' last three financial years activities and its projected activity following the provision of the loan funds

Each application made by a community or sporting organisation will be treated on a case-by-case basis. If approved, the Council shall disburse the funds to the organisation which shall provide an acquittal statement of use at the conclusion of the project being undertaken.

3.6 Investments

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.

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.

When investing funds Council will select the investment type that delivers the best value having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

Staff may from time to time invest surplus funds in:

- deposits with the Local Government Financing Authority; and/or
- Interest bearing deposits with Authorised Deposit-taking Institutions (ADIs) such as banks, building societies or credit unions where the Australian Government guarantees deposits up to \$250,000.

Any other investment requires the specific approval of Council. Where Council authorises any investments of a type outside of those specified above, the amount so invested will be cumulatively

limited to no more than 20% of the average level of funds expected to be available for investment by Council over the duration of the specific authorised investments.

3.7 Reporting

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 Council borrowing and investment – 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 and an estimate of the average of these proportions across this period along with key reasons for significant variances compared with the targets specified in this Policy.

3.8 Reserves

Reserves are an allocation of Council's accumulated surplus. Council may establish various equity accounts called 'Reserves' to identify accumulated surpluses that will be used for specific future purposes. Separate bank accounts will not be established for reserves unless legally required to do so.

4. Related Documents

Annual Business Plan and the Budget

Funding Policy

Long Term Financial Plan

Strategic Plan 2021-2024

5. Records Management

All documents relating to this Policy will be registered in Council's Record Management System and remain confidential where identified.

6. Document Review

This Policy will be reviewed periodically to ensure legislative compliance and that it continues to meet the requirements of Council its activities and programs.

7. References

Local Government Act 1999

LGA's Financial Sustainability Information Paper 15: Treasury Management (Revised February 2015)

8. Further Information

Members of the public may inspect this Policy free of charge on Council's website at <http://www.apc.sa.gov.au> or at Council's Principal Office at:

2a Wasleys Rd, Mallala SA 5502

A copy of this policy may be obtained on payment of a fee.

Any queries in relation to this Policy must be in writing and directed to the Director – Finance.