



# Treasury Management Policy

<b>Responsible Officer</b>	Chief Executive Officer
<b>Relevant Delegations</b>	Director Corporate Services
<b>Legislation and References</b>	Local Government Act 1999.

## 1 Introduction

This policy provides clear direction to Management, Employees and Council in relation to the treasury function. 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.

Council is committed to operating in a financially sustainable manner and maintains a Long-term Financial Plan (updated at least annually) to assist it to determine affordable service levels and revenue raising needs. The plan also provides projections of future cash flow availability and needs.

## 2. Policy Objectives

This Treasury Management 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 minimised on average over the longer term.

## 3. Policy Statements

### 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 ratio).

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

- Maintain target ranges for its Net Financial Liabilities ratio;

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- 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;
- 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 not set range limits for either fixed nor variable interest rate borrowings in order to effectively minimise net interest costs over the term of the borrowings. This provides Council with the greatest flexibility and at the same time manage interest rate movement risks during times of interest rate volatility.

### 3.2.1 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 any of 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 meet its interest expense minimisation strategy:

### 3.2.2 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.

## 3.3 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.

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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.

Council management may from time to time invest surplus funds in:

- Deposits with the Local Government Financing Authority; and/or
- Bank interest bearing deposits.

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.

## 3.4 Reporting

At least once a year Council's Audit & Risk Committee shall receive a specific report regarding treasury management performance relative to this policy document. 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.

## 4 Review & Availability

This policy will be reviewed every five years, or prior to any significant and / or long term debt being entered into.

The policy is available on Council's website [www.claregilbertvalleys.sa.gov.au](http://www.claregilbertvalleys.sa.gov.au)

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## 5 References

Local Government Act 1999

Internal Financial Control Policy

Prudential Management Policy

Equity Reserve Policy

LGA SA Financial Sustainability Information Paper 15 – Treasury Management

## 6 Document History

Approved by	Issue Date	Minute Reference – Details of Review
CGVC	18/02/2013	MB94/13 Adopted by Council
CGVC	16/11/2015	Reviewed by Council
CGVC	16/09/2019	Reviewed by Audit Committee & Council
CGVC	15/11/2023	Reviewed by Audit & Risk Committee and Council

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