

## Treasury Management Policy

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<b>Corporate Plan:</b>	<i>Corporate Services – Financial Management</i>
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<b>Responsible Officer(s):</b>	<i>Manager Corporate Services</i>
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<b>Applicable Legislation:</b>	<i>Local Government Act 1999, Local Government Act “Financial Management Regulations 2011”</i>
<b>Relevant Policies:</b>	<i>Internal Controls Framework Policies</i>
<b>Related Procedures:</b>	<i>N/A</i>
<b>Delegations:</b>	<i>Chief Executive Officer</i>

### 1. Purpose

This policy provides clear direction to management, staff 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 (LTFP) and associated projected and actual cash flow receipts and outlays. It outlines how required borrowings will be raised and how cash and investments will be managed to fund Council operations.

### 2. Definitions

N/A

### 3. Principles

This policy provides clear direction to management, staff 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 (LTFP) and associated projected and actual cash flow receipts and outlays. It outlines how required borrowings will be raised and how cash and investments will be managed to fund Council operations.

#### **4. Policy Statement**

##### Borrowings

Section 134 of the Local Government Act 1999 (the Act) allows for Council to borrow money in any form considered appropriate by the council. It further allows that council may enter into financial arrangements for the purpose of managing, hedging or protecting against movement in interest rates or other costs of borrowing money. The Act stipulates however that these arrangements must not be entered into without council first obtaining independent and impartial advice in relation to risk management policies, controls and systems of entering into such an arrangement

To mitigate interest rate risk exposure Council will only seek to borrow funds from the following sources:

- Local Government Finance Authority of which it is a member.
- Either the National Australia Bank, the Commonwealth Bank of Australia, the Australian and New Zealand Banking Corporation and the Westpac Banking Group including its affiliates ie BankSA.

Council will consider its long-term financial plan and future funding obligations when deciding on the use of the following:

- Credit Foncier (fixed term and interest)
- Fixed interest rate
- Variable interest rate
- Interest only loan
- Combination of credit types

To ensure an adequate spread of interest rate exposures, Council will consider structuring its portfolio of borrowings to maintain a combination of both fixed and variable interest rate borrowings. All borrowings are to be made exercising care, diligence and skill in the consideration of:

- Current risk profile;
- Current economic factors;
- The period over which the funds are likely to be required;
- Expected short and long term view of interest rate trends;
- Council's overall debt maturity profile and mix;
- Cost of funding;
- Cost differentials between fixed and variable facilities;
- Long term capacity for repayment of loans;
- The reason behind Council's cash shortfall; and
- The cost of making and maintaining the borrowing.

##### 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 will only seek to invest funds with the following:

- Local Government Finance Authority of which it is a member.
- Either the National Australia Bank, the Commonwealth Bank of Australia, the Australian and New Zealand Banking Corporation and the Westpac Banking Group including its affiliates i.e. BankSA.

#### Community Loans

Community groups who are seeking to undertake capital works may approach Council to borrow funds on their behalf which the groups are to pay back to Council, as Council is able to access superior terms and borrowing conditions. Council also acts as guarantor for community groups seeking to borrow funds.

Upon application for a community loan, Council will request information from the community group in order to make assessment as to the capacity of the community group to repay the loan before approving such loan. This will include requesting the group to inform Council as to the purpose of the loan and the formal status of the community group as well as the provision of recent audited financial accounts of the group and a 5 year budgeted cash flow analysis showing the group's capacity to service such loan.

A formal loan agreement signed by a representative of the community group and Council will be completed acknowledging the provision and term of the loan, repayments due and recovery processes in the event of failure by the community group to make good to Council repayments due.

#### Financial Reserves

Council uses financial reserves to set aside funds for future anticipated expenditure.

Reserves are used generally for future capital expenditure and may include:

- Plant Replacement
- Investment assistance/Economic Development
- Carparks
- Footpaths etc.
- Community Wastewater Management Scheme maintenance and replacement.
- Developer funds towards community infrastructure ie parks and gardens.

Council will consider its long-term financial plan and future funding obligations when deciding on the use of discretionary reserves. This includes Council's consideration be given to –

- Maintaining target ranges for both its Net Financial Liabilities and Interest Cover ratios.
- Borrowing funds in accordance with the requirements set out in its Long-Term Financial Plan.
- Applying any funds that are not immediately required to meet approved expenditure to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

#### Financial Performance Indicators

The Financial Performance Indicators applicable to this policy are Net Financial Liabilities and Interest Cover Ratios. In keeping with Council's Long Term Financial Plan, explanation and targets for these indicators are as follows:

- **Net Financial Liabilities**  
This indicator measures the total of Council's indebtedness with the target being that the Net Financial Liabilities is no greater than its operating revenue and not less than zero.
- **Net Financial Liabilities Ratio**  
This measure indicates the amount of operating revenue required to meet Council's Net Financial Liabilities. The target for this ratio is to be greater than 0% but less than 100%.
- **Interest Cover Ratio**  
This measure indicates the amount of operating revenue required to meet Council's interest expense commitments. The target for this ratio is to be greater than 0% but less than 10%.

#### Annual Review and reporting

An annual review of the treasury management performance will be undertaken in accordance with section 140 of Local Government Act 1999. Each year a report will be prepared by the Finance Department that summarises the performance of each investment and the performance of the investment portfolio relative to this policy document. Borrowings will also be reviewed.

The report will include:

- for each Council investment – the name of the financial institution, the quantum of funds invested, the interest rate, the maturity date and the interest earned or paid;
- full details and explanation of any instances of deviation from this policy during the year.

## **5. Confidentiality**

*Any information provided will be treated as strictly confidential. Information provided to the Council's Chief Executive Officer (CEO) will be securely retained within Council's records.*

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