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Responsible Officer	Director - Corporate & Financial Services
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## 1. Purpose

- 1.1 The *Treasury Policy* (the 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 and associated projected and actual cash flow receipts and outlays.
- 1.2 Council is committed to operating in a financially sustainable manner and maintains a Long-term Financial Plan to assist it to determine affordable service levels and revenue raising needs. This Plan also provides future cash flow requirements.
- 1.3 All investments and borrowings are to be made exercising care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons.

## 2. Policy

This Treasury Policy establishes a decision framework to ensure that:

- 2.1 funds are available as required to support approved outlays;
- 2.2 interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
- 2.3 the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

### 2.4 Treasury Strategy

Council's operating and capital expenditure decisions are made on the basis of:

- 2.4.1 identified community need and benefit relative to other expenditure options;
- 2.4.2 cost effectiveness of the proposed means of service delivery; and
- 2.4.3 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:

- 2.4.4 maintain target ranges for its Net Financial Liabilities ratio;
- 2.4.5 not retain and quarantine money for particular future purposes unless required by legislation or by mutual agreement with other parties. The exceptions being :-
  - 2.4.5.1 Certain grants may dictate that the grant funds are to be deposited into a separate bank accounts; and
  - 2.4.5.2 Private sector donations and sponsorship that are received to be used for specific purposes. Example. Tax deductible private sector donations and sponsorship that are received for the conservation of Mannum Dock Museum assets.
- 2.4.6 borrow funds when it needs cash in accordance with budgeted requirements and not specifically for particular projects, only exception are when State/Federal Government have provided discounted loans (example. Eudunda Road upgrade 2018 discounted loan via State Local Government Infrastructure Program);
- 2.4.7 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.

## **2.5 Interest Rate Risk Exposures**

Council through the endorsement of this operational policy sets a range limit 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.

### **2.5.1 Fixed Interest Rate Borrowings**

- 2.5.1.1 To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings, to maintain on average in any year based on budget projections, not less than 20% of its gross debt in the form of fixed interest rate borrowings.
- 2.5.1.2 In order to spread its exposure to interest rate movements, based on budget projections Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

### **2.5.2 Variable Interest Rate Borrowings**

- 2.5.2.1 Council will structure its portfolio of borrowings based on budget projections, to maintain not less than 20 % of its gross debt in the form of variable interest rate borrowings.
- 2.5.2.2 Council will utilise long-term variable interest rate borrowing facility, such as the Local Government Finance Authority (LGFA) Cash Advance Debenture 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.

## **2.6 Investments**

- 2.6.1 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 operating bank account balance of Council is to be kept at a level not significantly greater than is required to meet Councils immediate working capital requirements, with any surplus funds being firstly applied to repay any outstanding borrowings and then any excess is to be applied to investments.
- 2.6.2 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.

- 2.6.3 When investing funds, Council will select the investment type that is free from possible conflict of interest, delivers the best value, having regard to investment returns, transaction costs and minimising investment risk. When the Council is in the situation that material amounts of money is available for investing, a number of deposits will be considered with varying maturity dates to minimise the risk of interest rate movements.
- 2.6.4 Council management may from time to time invest surplus funds in the following low risk investments:
  - 2.6.4.1 deposits with the LGFA (liabilities guaranteed by the State Government Treasurer as per Section 24 Local Government Finance Authority Act 1983) and/or
  - 2.6.4.2 bank interest bearing deposits.
- 2.6.5 Any other investment requires the specific approval of Council.

## 2.7 Reporting

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

- 2.7.1 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,
- 2.7.2 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
- 2.7.3 budgeted end of financial year borrowings vs actual borrowings.

## 3. Policy Responsibility

The Director – Corporate & Financial Services is responsible for ensuring the proper operation of this Policy.

## 4. Availability/Accessibility

- 4.1 This Policy and Council's Fees and Charges Register are available to be downloaded free of charge from Council's website: <http://www.mid-murray.sa.gov.au>
- 4.2 This Policy is available for inspection at Council's principal office during ordinary business hours. Hard copies, for a fee in accordance with Council's schedule of Fees and Charges, can be provided upon request.

## 5. Legislative Framework / Other References

- 5.1 [\*Australia Accounting Standards and Regulations\*](#)
- 5.2 [\*Local Government Act 1999\*](#)
- 5.3 [\*Local Government \(Financial Management\) Regulations 2011\*](#)
- 5.4 [\*Annual Business Plan & Budget\*](#)
- 5.5 [\*Strategic Management Plans:\*](#)
  - 5.5.1 [\*Community Strategic Plan\*](#)
  - 5.5.2 [\*Long Term Financial Plan\*](#)
  - 5.5.3 [\*Asset Management Plans\*](#)

## 6. Document History

This Policy shall be reviewed at least every four (4) years or more frequently if legislation or Council requires.

Version	Adopted	Minute	Description of Change
1	9 November 2009	1155/1	Adopted by Council
1	13 March 2012	13153/3	Reviewed by Council
1	10 February 2015	16669/4	Reviewed by Council
2	13 August 2019	20807/4	Minor changes regarding operating bank account, reducing areas of investments from four to two, adding Open Space Rec & Public Realm Plan and District Action Plan to Strategic docs and minor grammatical corrections.
3	11 February 2020	20901/4	Change minimum fixed loan component from 30% of borrowings to 20%. Add clause relating to Conflict of Interest
4	15 August 2023	C08-23/018	Reviewed by Council, minor wording changes, update to new format.