Treasury Management Policy

1. INTRODUCTION

1.1 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 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 (updated at least annually) to assist it to determine affordable service levels and revenue raising needs. This Plan also provides projections of future cashflow availability and needs.

2 POLICY OBJECTIVES

2.1 This Treasury Management Policy establishes a decision-making framework to ensure that:

2.1.1 funds are available as required to support approved outlays;

2.1.2 interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed.

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

3 POLICY STATEMENTS

3.1 Treasury Management Strategy

3.1.1 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).

3.1.2 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;
- 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.

3.1.3 Unless otherwise determined by resolution, Council's borrowing strategy will be restricted to borrowings to fund capital expenditure—such as major infrastructure projects or assets — rather than for day-to-day operations.

3.1.4 While the decision to obtain borrowings can be endorsed as part of the Annual Budget Process and adoption of the Annual Business Plan & Budget, as Council maintains a low appetite to obtain borrowings, any decision to obtain borrowings must be done via a stand-alone resolution of Council.

3.1.5 Generally, the life of the borrowing term will vary but be subject and relevant to the degree and scale of the capital improvement for which the borrowings where obtained, and overall benefit and longevity of the service to the community.

3.2 Interest Rate Risk Exposures

While Council presently does not have or maintain any borrowings, 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 maage interest rate movement within acceptable limits.

3.2.1 Fixed Interest Rate Borrowings

3.2.1.1 To ensure an adequate mix of interest rate exposures, Council will, in the event that it takes out future borrowings, restructure its portfolio of borrowings to progressively achieve and thereafter maintain on average in any year, an appropriate and affordable level of debt in the form of fixed interest rate borrowings.

3.2.1.2 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.

3.2.1.3 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.

3.2.2 Variable Interest Rate Borrowings

3.2.2.1 Council will, in the event that it takes out future borrowings, restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, an appropriate and affordable level of debt on average in any year in the form of variable interest rate borrowings.

3.2.2.2 Council will establish, and make extensive use of, a long-term variable interest rate borrowing facility/LGFA 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

3.3.1 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 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.

3.3.2 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.

3.3.3 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.

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

3.3.4.1 deposits with the Local Government Financing Authority; and/or

3.3.4.2 bank interest bearing deposits.

3.3.5 Any other investment requires the specific approval of Council and must be subject to a risk assessment and involve external expert advice where necessary.

4 ANNUAL REVIEW

4.1 Council Administration will review the structure of any borrowings on at least an annual basis. This review will look at interest exposure in relation to risk profile, economic performance and maturity profile where appropriate.

4.2 Following Administrations annual review, the a report outlining the performance of any borrowings and/or investments will be submitted to the Audit & Risk Committee, and in turn Council, for review and further oversight.

4.3 Council will also take into account other topical factors. In order to manage its exposure to interest rate movements Council may choose to use fixed term borrowing facilities. These will be analysed to establish the optimal level of debt given the Council's appetite for fixing its level of debt.

5 AVAILABILITY OF THE POLICY

5.1 This policy will be available for inspection at the Council office, 11 Railway Terrace Karoonda, during ordinary business hours and available to be downloaded, free of charge, from Council's website: www.dckem.sa.gov.au.

5.2 Copies will be provided to interested parties upon request. Email council@dckem.sa.gov.au grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer of Council.

6 DOCUMENT ADMINISTRATION AND CONTROL

COUNCIL POLICY	
Policy title:	Treasury Management Policy
Responsible officer:	Chief Executive Officer
Version:	V2.3
Responsible Committee:	Audit & Risk Committee
First issued / adopted:	14/08/2018
Review frequency:	Every 2 years
Last reviewed:	March 2026

Next review date:	Following the conclusion of Local Government General Elections, or as otherwise required by legislation.
Applicable legislation / related documents:	*Local Government Act 1999* *Local Government (Financial Management) Regulations 2011* LGA Model Policy