

POLICY	ROBY COUNCIL	Responsible Department	Finance
		Original Adoption Date	20.12.2017
		Current Adoption Date	30.08.2023
		Date of Next Review	30.08.2026
		Audit Committee Review Date	27.05.2023

TREASURY	
Latest Review Changes	Reference made to Council's current long term cash position. Update to new template Minor formatting changes
Previous Council Reviews	20.12.17, 27.05.20
Previous Audit Committee Reviews	15.05.2020

Applicable Legislation

Local Government Act 1999

Related Policies

Budget Management Policy

Reference Documents

Local Government Association Financial Sustainability Program

- Information Paper 15 – Treasury Management
- Information Paper No 9 – Financial Indicators
- Information Paper No 10 - Debt

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1. INTRODUCTION

This policy provides a framework for Council as it manages its cash for the purpose of prescribed activities pertaining to the annual budgets and Long-Term Financial Plans. This policy guides decisions by prescribing some specific parameters around both borrowing and investing, both within the context of sustainable cash flow and risk mitigation.

Council is committed to operating in a financially sustainable manner. As well as being guided by this specific Policy, Council will maintain a Long-term Financial Plan (updated at least annually) to assist with the determination of longer-term cash requirements.

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;
- 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

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 ratios).

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.

The Council is in a unique position such that it has large cash balances arising from a relatively young infrastructure asset base compared to most councils. The replacement of the majority of these assets is not required in the medium to long term (the next 10 to 20 years) and as such the Council will continue to accumulate cash as it charges ratepayers for the depreciation related to these assets.

3.2. Borrowing

Given the Council's forecasted long-term large positive cash position it is unlikely it will be required to undertake borrowings.

Should the Council require to take borrowings it would do so on the following basis.

Council will 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.

3.2.1. Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will aim to maintain on average in any year, 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 also ensure that no more than 25% of its fixed interest rate borrowings mature in any year.

Where short-term borrowings are required for liquidity purposes these are exempt from the requirement to maintain a minimum percentage of fixed interest borrowings.

3.2.2. Variable Interest Rate Borrowings

Council will aim not to have less than 30% of its gross debt on average in any year in the form of variable interest rate borrowings.

Council will maintain overdraft or other similar facilities which provide Council ready access to urgent funds should the need for them arise.

3.2.3. Minimising costs

At least two quotations are to be obtained from authorised institutions whenever a borrowing is proposed. After taking into account all relevant factors, including the exposure limits set above, the quote, which delivers the best value to Council, shall be successful. During periods of stable interest rates, new borrowings may be made based upon the results of previous quotes providing the borrowing term and amount being invested are comparable to the previous borrowing(s).

Where short term funds are required for liquidity purposes Councils existing faculties can be utilised without seeking quotations.

3.3. Investments

3.3.1. Maximising Returns

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.

At least once per annum two quotations are to be obtained from authorised institutions when an investment is proposed. After taking into account all relevant factors, including the exposure limits set above, the quote, which delivers the best value to Council, shall be successful. During periods of stable interest rates, new investments may be made based upon the results of previous quotes providing the investment term and amount being invested are comparable to the previous investment(s).

3.3.2. Allowable Investments

Council management may from time to time invest surplus funds in

- State/ Commonwealth Government Bonds;
- deposits with the Local Government Financing Authority; and/or
- interest bearing deposits with any Australian owned bank registered as an authorised deposit-taking institution (as defined in the *Banking Act 1959*)

Council does not envisage the need to invest beyond any of the above prescribed products.

Pursuant to Section 47 of the *Local Government Act 1999*, Council is prohibited from acquiring shares in a company.

3.3.3. Long Term Investments

Investments fixed for a period greater than 12 months are to be approved by Council.

3.4. Reporting

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

- for each Council borrowing - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and,
- the performance of each investment and the performance of the investment portfolio as whole; and
- adherence to the borrowing and investment guidelines in this policy.

4. REVIEW

To ensure that the principles of open Government are being applied in a proper manner it is anticipated that a review will be conducted every three years. However, Council has the right to review this policy at any time.

5. AVAILABILITY OF POLICY

This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.roxbydowns.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.