



Treasury Management Policy

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<i>Responsible Officer(s):</i>	Director Corporate Services & Manager Corporate Services
<i>Relevant Delegations:</i>	Section 44, 47, 122,134,139,140 - Local Government Act 1999. Financial Management Regulations 5, 5B
<i>Council File GDS Reference:</i>	
<i>Other Relevant Policies:</i>	
<i>Related Procedures:</i>	
<i>Relevant Legislation:</i>	Local Government Act 1999 / Financial Management Regulations
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1. INTRODUCTION

This Treasury 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 receipts and outlays.

Council is committed to adopting and maintaining a Long-term Financial Plan and operating in a financially sustainable manner.

2. POLICY OBJECTIVES

This Treasury Management Policy provides clear direction to management, staff and Council in relation to the treasury function and establishes a decision framework that:

- ensures that the appropriate level of funds are available at appropriate times to assist meeting strategic objectives and support approved outlays;
- is financially responsible and prudent in Treasury matters, ensuring that financial risks are acknowledged and all interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and managed appropriately;
- minimises net interest costs associated with borrowing and investing on average over the longer term;
- maximises interest earned on surplus funds within prudent risk limits;

- ensures, where possible, that the structure of the borrowing is appropriate for the nature of assets being funded; and
- ensures Council's Treasury management activities are undertaken in accordance with legislative and common law responsibilities.

3. TREASURY 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 and Interest Cover Ratio's)

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 ratios;
- not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- generally only borrow funds when it needs cash and not specifically for particular projects;
- 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.

Any variation to the above can only be made as per a resolution of Council.

3.2 Interest Rate Risk Exposures

Council recognises that future interest rate movements are uncertain in direction, timing and magnitude. 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 manage interest rate movements within acceptable limits.

3.2.1 Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve and thereafter 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 also will ensure that no more than **25%** of its fixed interest rate borrowings mature in any year.

3.2.2 Variable Interest Rate Borrowings

Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, not less than 30% of its gross debt in the form of variable rate interest rate borrowings.

Council will establish, and make extensive use of the ***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 Community Loans

Council shall have the discretion to raise loan funds on behalf of the various community and sporting organisations that are situated within its district.

3.3.1 Community Loan Policy

The raising of community loans shall be dependent upon the specific purpose of the request for funding (specifically the reason for the proposed borrowing should generally be for a capital purpose). In consideration of such a borrowing, Council shall take into account:

- The ability of the organisation concerned to satisfactorily meet the repayment schedule of the proposed loan (including any previous loan repayment history available);
- The provision of adequate security by the organisation or members thereto in the event that the loan repayment conditions cannot be met; and
- Current and proposed internal loan requirements and impacts that community loan will have on both the aforementioned key performance indicators / target ranges adopted and credit limits available to Council.

Financial assessment of each request in this regard must take place. The community or sporting organisation must provide the Council with details of its previous three years financial activities via audited financial statements, and its projected financial activity following provision of the loan, to allow for an adequate assessment of capacity to repay the loan to occur.

Each such application for financial assistance by a community or sporting organisation will be treated on a case by case basis.

To compensate for both credit risk and the administration of such community loans Council shall impose a 50 basis point charge to the available rate at the time of provision of loan funds.

Council will limit the maximum amount of loan funds to \$150,000 and not to exceed a 10 year repayment term.

Council shall pay the full amount of the loan funds obtained or requested directly to the organisation requesting them, at the time of obtaining such funds from the funding source.

3.4 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 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 available interest rate borrowing facility.

When investing funds Council will select the investment type which 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 Finance Authority; and/or
- deposits with either the Commonwealth Bank of Australia, Westpac Bank, National Australia Bank or the ANZ Bank.

Any other investment requires the specific approval of Council. Where Council authorises any investments of a type outside of those 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.

3.5 Reporting

At least once a year Council shall receive a specific report regarding treasury management performance relative to this policy document. The report will be provided in the financial instruments note as provided within Council's audited annual financial statements and 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. RELEVANT LEGISLATION

4.1 Borrowings

- Local Government Act, 1999
 - Section 44
 - Section 122
 - Section 134
- Regulations 5 and 5B of the Financial Management Regulations under the Act

4.1 Investments

- Local Government Act, 1999
 - Section 47
 - Section 139
 - Section 140