

Treasury Management Policy

Classification	Council Policy		
Responsible Officer	Group Manager Finance		
Relevant Legislation	<i>Local Government Act 1999</i>		
Related Policies	Financial Internal Control Policy		
	Budget Management Policy		
	Long Term Financial Plan		
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Treasury Management Policy

1. Introduction

This policy provides 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.

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 projections of future cash flow availability and needs.

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; and
- the net costs associated with treasury activity are minimised.

3. Treasury Management Strategy

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;
- ensure that new borrowings are approved by Council by way of a resolution;
- 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; and
- maintain ongoing working capital requirements at any point of time.

4. Annual Review

Council management will review the structure of 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. It 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. In this case, Council will consider:

- a. maximum and minimum levels of debt required over the period of the fixed term;
- b. the cost of both fixed term and variable debt; and
- c. the interest rates available for deposits.

These will be analysed to establish the optimal level of debt given the Council's appetite for fixing its level of debt.

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5. Annual Report

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

- for each of the 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.

6. Investments

Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or to avoid the raising of new borrowings will be invested with an Australian bank whose Standard & Poors Credit Rating is A or higher or with the Local Government Financing Authority.

Council funds available for investment will be lodged 'at call'. 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.

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

- deposits with the Local Government Financing Authority; and/or
- bank interest bearing deposits.

Any other investment requires the specific approval of Council.

Council will need to determine the proportion of its investment funds that will be placed in various investment types. In determining this proportion, Council will need to take account of:

- investment risk;
- likely return; and
- relevant legislative requirements.