

Treasury Management

1. Purpose

The purpose of this policy is to provide clear direction to management, staff and Council in relation to the treasury (funds) management and is designed to actively support Council's commitment to financial sustainability.

2. Scope

This policy applies to all Council activities.

3. Roles and Responsibilities

Council	On-going review of treasury performance and risks. Approve total borrowings. Approval of investments fixed for a period greater than 12 months.
Chief Executive Officer	Overseeing compliance, implementation and performance against investment objectives and ensuring reporting to Council.
Finance Manager	Prudently manage Council's liquidity and its borrowings and investments. Implementation of investment and financial risk management activities. Making recommendations in relation to borrowings. Ensure the principles of this policy are followed. Ensure appropriate financial processes are established and maintained to manage financial risks in accordance with this policy.

4. Policy Statement

The primary objectives of Council's Treasury Policy is the optimisation of earnings, operating in a financially sustainable manner, ensuring risks are identified and managed and maintaining compliance with appropriate legislation.

This policy sets the principles for effectively managing Council's treasury management in the context of the annual business plan and budget, long-term financial plan, and associated cash flows. It outlines how required borrowings will be raised and how cash and investments will be managed to fund Council operations.

Treasury Management Strategy

- 4.1. Finances will be managed holistically in accordance with overall financial sustainability strategies and annually reviewed targets. This means that Council will:
- (a) maintain target ranges for Net Financial Liabilities and Net Financial Liabilities Ratio
 - (b) maintain target range for Interest Cover Ratio
 - (c) not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties
 - (d) borrow funds in accordance with the requirements set out in its Long Term Financial Plan
 - (e) maintain a minimum amount of liquidity.

Liquidity

- 4.2. Council will maintain a minimum amount of cash on hand or at call to meet projected cash needs and maintain a \$1 million standby credit facility with the LGFA which can be accessed immediately on the approval of the Chief Executive Officer (or delegate) should the need arise.
- 4.3. Any funds that are not immediately required to meet approved expenditure or minimum liquidity will be applied in the following order of priority:
1. reduce existing borrowings where it is cost effective to do so
 2. defer the timing of new borrowings
 3. invest in accordance with this policy.

Borrowings

- 4.4. Council recognises the prudent use of borrowings to spread costs over time in support of the principle of intergenerational equity.
- 4.5. Borrowings will be managed in accordance with overall financial sustainability strategies and legislative requirements. This means that Council will:
- (a) approve borrowings having regard to the annual budget, long term financial plan and financial targets
 - (b) borrow in accordance legislative powers pursuant to section 44(3)(c) of the *Local Government Act 1999*
 - (c) not attach borrowings to specific expenditure commitments or assets
 - (d) maintain flexibility and capacity to borrowings comprising a mixture of:
 - (i) maturity dates
 - (ii) variable and fixed interest rates
 - (iii) interest only and amortising loans
 - (iv) cash advance debentures that enable principal draw down and repayment without penalty
 - (e) borrow from the LGFA (being the preferred financial institution) or the Commonwealth Bank, ANZ, NAB or Westpac
 - (f) not borrow directly from any retail market through the issue of bonds or other debentures
 - (g) not deal in swaps and derivatives without Council approval.

- 4.6. Loans to community organisations must be approved by Council and will be funded by borrowings in accordance with this policy and Council's "Borrowing Guidelines for Community Organisations".

Municipal Investments

- 4.7. Council's Municipal funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or to avoid raising new borrowings will be invested.
- 4.8. When investing these funds Council will select the investment type which delivers the best value having regard to investment returns, transaction costs, future funding needs and other relevant factors. This means that council will invest surplus funds with:
- (1) the LGFA (being the preferred financial institution)
 - (2) SA or Commonwealth Government Bonds
 - (3) interest bearing deposits or bank accepted/endorsed bills with banks with:
 - (i) short term credit rating from S&P of not less than A1 for investments of not more than 12 months
 - (ii) long-term credit rating from S&P of not less than AA- for investments greater than 12 months.
- 4.9. Investments will be made in accordance with this policy by the Chief Executive Officer (or delegate) in accordance with section 139 of the *Local Government Act 1999*. Council approval is required for Municipal investments with a maturity date greater than 12 months.

Alwyndor Investments

- 4.10. Alwyndor's investments are to be made in accordance with the Alwyndor Investment Management Strategy (IMS). The IMS will be recommended by the Alwyndor Management Committee (AMC), Audit Committee and endorsed by Council.
- 4.11. When investing these funds Alwyndor management (under approved delegation) will determine an appropriate investment strategy with permitted financial products based on cash flow requirements and agreed risk profile in accordance with the approved IMS.
- 4.12. Permitted financial products are as specified in the *Aged Care Act 1997*.
- 4.13. Consideration will be given to different asset investment types and timeframes, including cash and deposits; bonds and debentures; income securities and shares.
- 4.14. Any holdings in cash, deposits, bonds and debentures and income securities must meet credit rating exposures as in the approved IMS.
- 4.15. Investments are not to be made in speculative instruments; private shareholdings or leveraged products and other complex instruments.
- 4.16. Investments can be made with a maturity date greater than 12 months in accordance with the IMS principles.

Reserve Accounting

- 4.17. Council will not maintain cash-backed reserves unless required to by legislation or agreement with third parties.

4.18. Existing cash-backed reserves will be managed as follows:

- (1) provisions for future capital expenditure will be included in Council’s long term financial plan
- (2) existing cash reserve funds will be applied to reduce borrowings or to avoid raising new borrowings.

Reporting

4.19. Council will receive the following reports:

- (1) annual long term financial plan projections including financial targets
- (2) annual review of borrowing and investment performance pursuant to section 140 of the *Local Government Act 1999*
- (3) summary of the level of borrowings, investments and net financial liabilities at each budget review
- (4) as required a schedule of borrowings and cash when considering new borrowing or investing surplus cash for greater than 12 months
- (5) as required, in instances of a breach of policy, an audit report to the CEO, chair of the Audit Committee and Internal Auditor
- (6) as required a report on adherence to treasury management internal controls including liquidity, borrowing and investing of surplus funds.

5. Definitions

Key term or acronym	Definition
Treasury Management	Means managing borrowings, investments and cash flows.
Financial Sustainability	Means meeting long term service and infrastructure levels and standards without unplanned increases in rates or disruptive cuts to services.
Long Term Financial Plan	Means the primary financial document linked to the Strategic Plan and informed by the Asset Management Plan expressing activities over at least 10 years providing guidance to formulate a financially sustainable business plan and budget.
Net Financial Liabilities	Means total liabilities less financial assets, where financial assets for this purpose include cash, investments, receivables and prepayments, but excludes inventories and land held for resale.
Interest Cover Ratio	Means the extent to which operating revenues are committed to net interest expense.
Inter-generational Equity	Means resources and assets do not belong to one generation but are administered and preserved for future generations.
LGFA	Means Local Government Finance Authority, being an authority established under the <i>Local Government Finance Authority Act 1983</i> . Under the Act the South Australia Government guarantees all of the Authority’s liabilities, including monies accepted on deposit from clients. The Authority develops and implements borrowing and investment programs for the benefit and interests of Local Government.
S&P	Means Standard & Poors global credit rating agency which is independent and expresses an opinion about the ability and willingness of an institution such as a corporation or

	government, to meet its financial obligations in full and on time. An AA rating means the institution has a very strong capacity to meet financial commitments.
Reserve Funds	Means funds set aside in an account to meet any unexpected costs that may arise in the future costs of asset renewal or replacement.

6. Administration Use Only

Reference Number:	Document Set ID: 4868927
Strategic Alignment:	Our Holdfast 2050+
Strategic Risk:	Poor or ineffective management of legislative and regulatory obligations and ongoing changes
Responsible Officer(s):	Manager Finance Financial Accountant Lead Management Accountant Lead
First Issued / Approved:	14/04/11, 13/07/21, 13/07/2021
Minutes Date and Council Resolution Number:	13/07/2021 - C130721/2351
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Next Review Date:	26/09/27
Applicable Legislation:	For borrowings: (1) <i>Local Government Act 1999</i> , sections 44, 122, 134. (2) Regulations 5 and 5B of the Financial Management Regulations under the Act For investments: (1) <i>Local Government Act 1999</i> , sections 47, 139, 140 (2) <i>Aged Care Act 1997</i>
Related Policies:	
Other Reference Documents:	Alwyndor Aged Care – Investment Management Strategy