

Treasury Policy

Policy Author	General Manager – Strategy and Corporate
Date of next review	May 2024

1. Statement of Intent

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, associated projected and actual cash flows. It outlines how required borrowings will be raised and how cash and investments will be managed to fund Council operations.

1.1. Borrowings

Borrowing is an appropriate mechanism for the provision of services to the community with regard to strategic directions. Borrowings will be considered in the context of long term financial forecasts and objectives and as a mechanism to fund temporary cash shortfalls.

1.1.1 Council manages cash and borrowings holistically within the constraints of the overall financial sustainability strategies and targets outlined in the long-term financial plan. Council will:

- Maintain target ratios as outlined in the Financial Sustainability Ratios and Targets Policy
- Not retain or quarantine money for particular purposes unless required to do so by legislation, agreement with other parties or by Council resolution.
- Apply any surplus funds not immediately required to reduce the level of variable interest borrowings.
- Not match borrowings to specific projects.

1.1.2 Borrowings are not a form of revenue and ideally should not be used to service operating deficits.

1.1.3 Under s134 of the *Local Government Act 1999* Council may borrow through any market mechanism but not directly issue its own instruments.

1.1.4 Future movements in interest rates are uncertain in direction, timing and magnitude. Council recognises the importance of balancing risk and cost and therefore should use a combination of fixed and variable interest borrowings to spread the risk exposure.

1.1.5 Council must maintain sufficient levels of variable interest borrowings to ensure surplus cash inflows can be immediately applied to reducing borrowings.

1.1.6 Under the *Local Government Act 1999*, Council must set a borrowings limit as part of the annual budget process and adopt any amendments to budget reviews during the year.

1.1.7 When setting the borrowings limit Council should maintain both its interest cover and net financial liabilities ratios.

1.2. Investments

1.2.1 Investments will be made in a prudent manner having regard for the prevailing economic climate, projected interest rate movements and future cash requirements.

1.2.2 In accordance with this policy and the *Local Government Act 1999*, any funds that are not immediately required for operational needs and cannot be applied to reduce borrowings will be invested.

1.2.3 To reduce the level of risk in treasury operations, Council must limit investments to secure organisations and therefore the following investments (ie with a term of less than 12 months) can be utilised without Council approval:

- Deposits with the Local Government Finance Authority (LGFA)
- Interest bearing deposits with APRA regulated banks
- State / Commonwealth Government Bonds
- Bank bills accepted / endorsed by APRA regulated banks

1.2.4 In terms of investments, the role of the Finance team is to:

- Optimise use of its excess funds and ensure adequate security of those funds invested, and
- Consider terms that will align with liquidity requirements.
- Consider the diversification of investment types in order to mitigate risk

1.2.5 All investments are to be made exercising care, diligence and skill in the consideration of:

- The likely yield and term of the investment
- The period in which the investment is likely to be required
- The cost of making and maintaining the investment
- An assessment of future interest rate movements
- An assessment of future cash flow requirements
- Diversification of risk.

1.3 Reporting

Section 140 of the *Local Government Act 1999* requires that Council review its borrowings and investments annually. A report will be presented to Council and Corporate Governance Committee annually which summarises the performance of Council's borrowings and investment portfolio.

2. Scope

This policy applies to all financial assets/liabilities including finance leases and bank overdrafts. This policy applies to all staff authorised to administer treasury management functions under Council's Delegations Register.

This policy does not cover:

- Creditors and Provisions.
- Bank Guarantees.

3. Legislation and References

- *Local Government Act 1999*
 - For Borrowings, Section 44, 122, 123 and 134
 - For Investments, Section 47, 139 and 140
- Local Government (Financial Management) Regulations 2011
 - Regulation 5
- Framework for the Preparation and Presentation of Financial Statements, published by the Australian Accounting Standards Board
- City of Playford Global Glossary
- City of Playford Delegations register
- Fees and Charges Policy
- Financial Sustainability Policy

This Policy should not be considered as the only document that may relate to treasury, other tiers of government, agencies or organisations may have legislation or policies that also apply.

4. Application

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.

5. Relevance to Risk Appetite Statement

Financial Sustainability

The City of Playford has a **LOW** appetite for short-term financial risk that adversely impacts the Council's income. The Treasury Policy enables borrowings and investments to be managed responsibly and prudently.

Reputation

The City of Playford has a **LOW** appetite for negative perceptions that compromise its credibility and reputation. The Policy enables the council to apply a consistent and transparent approach to the management of its borrowings and investments.

Regulatory Compliance

The City of Playford has **ZERO TOLERANCE** for non-compliance with applicable legislation including the legislation listed within this policy

6. Feedback

Your feedback on this policy is invited and can be directed to the Manager Governance via email to governance@playford.sa.gov.au or by calling the Customer Contact Team on 8256 0333.

Administration use only

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Version history

Version no.	Approval date	Approval by	Change
1	23/09/2014	Council	New Policy – previously was part of Treasury (Cash) Management and Financial Reserves Policy
2	25/05/2021	Council Resolution No. 4624	Updated in new template Legislative section reviewed and updated Included application section. Inclusion of Risk Appetite section Removal relevance to Council Plan section
