



Treasury Policy

1. Policy Statement

This policy sets the principles and criteria with regard to Council's treasury management in the context of the annual budget, long-term financial plan and associated projected and actual cash receipts and outlays. It outlines how required borrowings will be raised and how cash and investments will be managed to fund Council operations.

2. Scope

This policy applies to all financial assets/liabilities including finance leases and bank overdrafts except for the following specific exclusions:

- Creditors and Provisions.
- Bank Guarantees.

This policy applies to all Council staff.

3. Definitions

Borrowings

An amount of money or monies owed by Council to a lender, for which the council agrees to pay the lender interest.

4. Legislation and References


- Framework for the Preparation and Presentation of Financial Statements, published by the Australian Accounting Standards Board
- SA Local Government Act 1999 (as amended)
- SA Local Government (Financial Management) Regulations 2011 (as amended)

5. Borrowings

Borrowing is an appropriate mechanism for the provision of services to the community in 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.

5.1 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

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- 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.
 - Borrowings are not matched to specific projects.
- 5.2 Borrowings are not a form of revenue and ideally should not be used to service its operating requirements.
- 5.3 Under the Local Government Act 1999 Council may borrow through any market mechanism but not directly issue its own borrowings.
- 5.4 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.
- 5.5 Council must maintain sufficient levels of variable interest borrowings to ensure surplus cash inflows can be immediately applied to reducing borrowings.
- 5.6 Under the Local Government Act Council must set a borrowings limit as part of the annual budget process and adopt any amendments to budget reviews during the year.
- 5.7 When setting the borrowings limit Council must maintain both its interest cover and net financial liabilities ratios.

6. Investments

- 6.1 Investments will be made in a prudent manner having regard for the prevailing economic climate, projected interest rate movements and future cash requirements.
- 6.2 In accordance with this policy and the Local Government Act, any funds that are not immediately required for operational needs and cannot be applied to reduce borrowings will be invested.
- 6.3 To reduce the level of risk in treasury operations, Council must limit investments to secure organisations and therefore the following investments can be utilised without Council approval:
- Deposits with the Local Government Finance Authority (LGFA)
 - Bank interest bearing deposits
 - State / Commonwealth Government Bonds
 - Bank accepted / endorsed bank bills
- 6.4 In terms of investments, the role of the finance manager 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.
- 6.5 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

7. Relevance to Council Plan

Outcome 5.2 Delivering value for money services

8. Approval and Change History

Policy ID	Version	Approval Date	Approval by	Change
	1	23/09/14	Council – Resolution 1906	New Policy – previously was part of Treasury (Cash) Management & Financial Reserves Policy