	POLICY	Version:	5
	Treasury Management	Date Adopted:	12 Mar 2024
		Next Review Due:	12 Mar 2028

1. STATEMENT

This policy provides the framework, direction and targets for which Councils' treasury management activities can operate within and its associated financial risks managed.

2. DEFINITIONS

Credit Foncier Borrowings – are borrowings for a fixed period with regular repayments where each repayment includes components of both principal and interest, such that at the end of the period the principal will have been entirely repaid. Commercial credit foncier borrowings (including to local governments) usually have a fixed rate of interest.

Financial Assets - include cash, investments, receivables and prepayments. Equity held in a Council business is normally regarded as a financial asset but is excluded for the purpose of calculating local government published financial indicators. Inventories and land held for resale are also not regarded as financial assets.

Financial Sustainability – is achieved where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to service.

Net Financial Liabilities – equals total liabilities less financial assets, where financial assets for this purpose include cash, investments, receivables and prepayments, but excludes equity held in Council business, inventories and land held for resale.

Net Financial Liabilities Ratio – indicates the extent to which net financial liabilities of a Council could be met by its operating revenue.

3. PRINCIPLES

3.1 Objectives

This Treasury Management Policy establishes a decision framework to ensure:


- Liquidity management – to provide assurance that Council maintains sufficient cash reserves to meet its day-to-day operational needs and strategic objectives;
- Cash management – utilisation of excess cash funds to optimise the net interest costs associated with borrowing and investing;
- Risk management – To identify and mitigate interest rate and other risks (e.g. liquidity, financial and investment credit risks) are acknowledged and responsibly managed on average over the longer term;
- Debt management – To determine the optimal mix of debt financing activities to maximise value to Council while minimising financial, liquidity and interest rate risks;
- Maximisation of investment management – provide guidance on strategic investment decisions of maximising returns for cash funds for Council while managing the associated financial, liquidity and interest rate risks.
- Monitoring of performance – Ensuring accurate and timely financial reporting on performance of the treasury management strategy.

3.2 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,

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- 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 (NFL) ratio).

Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for its NFL ratio between 0%-100%.
- 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 (LTFP);
- 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.

3.3 Borrowings

Borrowings are not a form of income and do not replace the need for Council to generate sufficient operating income to service its operating requirements. Borrowings to fund capital expenditure acquisition or renewal can be effective in linking the payment for an asset to the successive ratepayer base who will benefit over the life of the asset. This user-pays matching concept is known as inter-generational equity.

Council may borrow through any market mechanism under Section 134 and Section 135 of the Local Government Act 1999 but will not directly issue its own debt.


All loan borrowings will be subject to Council approval. To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of loan borrowings to ensure an optimal Treasury Management position, taking into account all borrowing options including fixed and variable terms.

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.

Council will establish, and make extensive use of, a long-term variable interest rate borrowing facility / 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 re draw facility will provide Council with access to liquidity when needed.

Pursuant to Section 134 of the Local Government Act 1999 (The Act), any other borrowing financial arrangements utilised for the purpose of managing, hedging or protecting against movements in interest rates allowable i.e. interest rate swaps, forward interest rate agreements and interest rate options will require independent, impartial advice from a specialist expert before approval of Council is granted.

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3.4 Interest Rate Risk Exposures (Borrowings)

3.4.1 Fixed Interest Rate versus Variable Interest Rate Borrowings

Council recognises that future movements in interest rates are uncertain in direction, timing and magnitude. It considers it is appropriate to set indicative range limits for both fixed and variable interest rate borrowings to achieve its objective of minimising net interest costs on average over the longer term and at the same time managing interest rate movement risks within acceptable limits..

Type of Loan	Proportion of the Debt Portfolio	
	Minimum	Maximum
Fixed Interest Rate - Credit Foncier	20%	80%
Variable Interest Rate – Cash Advanced Debentures	20%	80%

3.4.2 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 the indicative range limit targets.

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 (2 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.

3.4.3 Variable Interest Rate Borrowings

Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, the indicative range limit targets.

Council will continue to make extensive use of long-term Cash Advance Debenture (CAD) facilities through the Local Government Finance Authority (LGFA), which requires interest payments only and which enables any amount of principal to be repaid or redrawn at call. The redraw facilities will provide Council with access to liquidity when needed.


3.5 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 variable interest rate borrowing facility.

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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.

Delegated Staff may from time to time invest surplus funds in:

- deposits with the LGFA; and/or
- bank interest bearing deposits.

Any other investment allowable under Section 140 of the Local Government Act 1999 will require independent, impartial advice from a specialist expert before approval of Council is granted. The amount invested with these types of investments will have a cumulative limit of 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.

3.6 Treasury Performance Reporting

At least once a year Council's Audit & Risk Committee shall receive a specific report regarding treasury management performance relative to this policy document. The report 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. REVIEW

This policy will be reviewed every four years.

Upon review, the Executive Leadership Team (ELT) and Audit & Risk Committee must be consulted.

5. AVAILABILITY


This policy is available without charge on the Council Website: www.wattlerange.sa.gov.au.

A copy of the policy may be purchased from the Principal Council Office upon payment of a prescribed fee in accordance with Council's Schedule of Fees and Charges.

6. REFERENCES & FURTHER READING

References	
Relevant Legislation:	<ul style="list-style-type: none"> • <i>Local Government Act 1999</i> – <ul style="list-style-type: none"> ○ Sections 44, 48, 122, 134 and 135 of Borrowings ○ Sections 47, 139 and 140 of Investments • <i>Local Government (Financial Management) Regulations 2011</i>
Relevant Policies / Procedures / Guidelines	<p>This policy should be read in conjunction with:</p> <ul style="list-style-type: none"> • Financial Sustainability Information Paper 15 – Treasury Management • Financial Sustainability Information Paper 9 – Financial Indicators • Financial Sustainability Information Paper 10 – Debt • Long-Term Financial Plan

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7. ADOPTION & AMENDMENT HISTORY

The table below sets out the adoption, review and amendment history of the policy.

Version No:	Issue Date:	Authorised by:	Description of Change:	Minutes Reference:
1	10 March 2009	Council	Adopted	Folio 4141; Item 5.2
2	11 August 2011	ELT	Reviewed	-
3	10 November 2015	Council	Reviewed	Folio 6156; Item 13.2.10
4	12 November 2019	Council	Reviewed	Folio 8696; Item 15.2.8
5	12 March 2024	Council	Updated policy - changes to the <i>Local Government Act 1999</i> - review objectives - borrowings section added	Folio 10977; Item 15.2.6

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