



LOWER EYRE
COUNCIL

Treasury Management Policy



“Working with our Rural & Coastal Communities”

	FIN-POL-03 – TREASURY MANAGEMENT POLICY	Version No:	2.0
		Issued:	May 2023
		Next Review:	April 2026

Responsibility:	Corporate Services
Policy Adopted:	17 May 2023
Minutes Reference:	18.1 – OCM/23/045
Applicable Legislation:	Local Government Act 1999 s44,47,122,134,139,140, Part 2 S3, Local Government (Financial Management) Regulations 1999
Related Policies/Procedures/Codes:	FIN-POL-07 - Internal Control Policy FIN-POL-02- Loans to Sporting Bodies and Community Groups
Review Frequency	Following Local Government Elections

1. PURPOSE

The purpose of the Treasury Management policy is to establish financial management guidelines and practices to ensure the financial sustainability of the Council. In particular the adoption of such guidelines and practises will ensure that:

- Funds are available as required to support day to day operations;
- Sustainable borrowing practises are maintained that reflect both intergenerational equity and a prudent approach to budgeting;
- Interest rates and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
- The net cost associated with borrowing and investing are minimised over the longer term; and
- Council maximises the return on surplus funds.

2. SCOPE

This policy applies all of Council’s borrowing and investment decisions.

3. PRINCIPLES

Council’s operating and capital expenditure decisions are made with consideration of:

- Identified community need and benefit relative to other expenditure options;
- Cost effectiveness of the proposed means of service delivery; and
- 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 Ratio);

Council manages its finances in a holistic manner in accordance with its overall financial sustainability strategies and targets. This means that Council will:

- Borrow funds in accordance with the requirements set out in its Long-Term Financial Plan;
- Not utilise borrowings to finance operating activities or recurrent expenditure;
- Endeavour to fund all capital renewal projects from operating cash flow and borrow only for new/upgrade capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long term infrastructure projects;

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3. PRINCIPLES

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- 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 borrowings that would otherwise be required;
- Give consideration to Reserve Bank forecasts for the Australian economy in its decision making with regard to the method of borrowing to manage capital works; and
- Ensure that the term of borrowing does not exceed the life of the asset being funded.

4. POLICY

The Treasury Management Policy assists Council's decision making regarding the funding of Council's operations in terms of cash flow, budgeting, borrowings and other investments.

The Treasury Management policy links closely to Council's Strategic Plan and Long Term Financial Planning within the context of:

- Strategic planning covering short, medium and long term expenditure;
- Current and estimated future revenues;
- Intergenerational equity considerations;
- Current and future funding needs for both operating and capital expenditure;
- Potential movements in interest rates, and other variables that are linked to revenues and/or expenditures.

4.1. Borrowings

All new loan borrowings are subject to Council approval on recommendation from the Director of Corporate Services & Community or the Manager of Finance and Technology.

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

Council will endeavour to structure its borrowing program in order to maintain its annual debt servicing commitment at less than 15% of general rate revenue for borrowings that are serviced from general rate income. This does not include self servicing or self funding activities such as Community Wastewater Management Schemes, Caravan Parks or Airports where income from these activities is expected to be available to meet the repayments.

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4. POLICY

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4.1.1 Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings to maintain on average in any year, not less than 30% of its gross debt in the form of fixed interest rate borrowings.

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 debt it will use the opportunity as necessary to increase its holdings of medium to long-term borrowings (3 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.

Council will also aim to have no more than 25% of its fixed interest rate borrowings maturing in any year.

4.1.2 Variable Interest Rate Borrowings

Council will structure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, not less than 30% of its gross debt on average in any year in the form of variable interest rate borrowings.

Council will establish and make use of the Local Government Finance Authority Cash Advance Debenture facility. This facility requires interest payments only and enables any amount of principal to be repaid or redrawn at call without any associated service/transaction fees. The redraw facility will provide Council with access to liquidity when needed.

4.2. 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.

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.

Investments will not be fixed for a period of greater than 12 months without Council approval.

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4. POLICY

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4.2. Investments

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To reduce the level of risk embodied in treasury operations, it is appropriate to limit investments made by Council to secure financial institutions. Therefore, without approval from Council, investments are limited to:

- Deposits with the Local Government Finance Authority of South Australia (LGFA); and
- Bank interest bearing deposits.

To ensure competitive rates for investments are achieved, quotations must be obtained from authorised institutions on investments of more than \$1,000,000 where the period of investment exceeds 30 days.

4.3. Intergenerational Equity Funding

The intergenerational equity concept is the funding of capital expenditures beyond the year of the expenditure to ensure that users of infrastructure make reasonable payment for the benefit enjoyed. Borrowing is a useful mechanism for spreading payment for assets over a longer timeframe reflecting that those assets provide benefit to ratepayers, thus ensuring to a large extent that the ratepayers who benefit from the assets pay for their consumption.


4.4. Reserves

Council may establish cash-backed reserve accounts as required by legislation or as a useful means of recognising and planning for future proposals with regard to self funding business activities or other specific activities of Council such as asset renewals.

Council will not maintain separate accounts for any cash-backed reserves (unless required by legislation) and will apply any cash reserve funds to reduce borrowings or avoid raising new borrowings.

5. REPORTING

In accordance with section 140 of the Local Government Act, a report will be presented to Council annually summarising the current and expected performance of Council's investment portfolio for the given year against its adopted Annual Budget.

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6. REVIEW

This policy will be reviewed every four years after each general election.

7. AVAILABILITY

The policy is available for public inspection on Council's website at www.lowereyrepeninsula.sa.gov.au and from council's office at 32 Railway Terrace, Cummins, SA 5631.

DOCUMENT HISTORY		
Version:	Issue Date:	Description of Change:
1.1	June 2015	Adopted
1.2	19/07/19	Reviewed without amendment
1.3	March 2022	Reviewed with amendment
2.0	17/05/2023	Reviewed without amendment