



Treasury Management Policy

Classification:	Council Policy
Version Number:	3
Review Frequency:	Once in the Term of Council
Last Reviewed:	May 2023
Review Due:	May 2027
Responsible Officer:	Chief Executive Officer
Applicable Legislation:	Local Government Act 1999 S44, S47, S122, S125, S133, S134, S135, S139, S140 Local Government (Financial Management) Regulations 2011 S5b
Related Policies/Procedures:	<ul style="list-style-type: none"> • Loan Register and Schedules • Internal Financial Control Policy/ Manual • Council's Delegations Register • Better Practice Model – Internal Financial Controls for South Australian Councils

1. PURPOSE:

This policy provides clear direction to management, staff and council in relation to the treasury function. It underpins council's decision-making regarding the financing of its operations as documented in its annual budget and long-term financial plan and associated projected and actual cash flow receipts and outlays.

Council is committed to operating in a financially sustainable manner and maintains a Long Term Financial Plan (updated at least annually) to assist it to determine affordable service levels and revenue raising needs. This plan also provides projection of future cashflow availability and needs.

2. LEGISLATIVE CONTEXT:

This policy has been created to guide council in the making of decisions and carrying out of activities as directed by the Local Government Act 1999, specifically:

- Section 44 - Delegations
- Section 47 – Interests in companies
- Section 122 – Strategic Management Plans
- Section 125 - Internal control policies
- Section 133 – Sources of funds
- Section 134 – Borrowing and related financial arrangements
- Section 135 – Ability of a council to give security
- Section 139 – Investment powers
- Section 140 – Review of investments

3. SCOPE:

This Treasury Management Policy establishes a decision framework to ensure that:

- Funds are available as required to support approved outlays
- Interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
- The net interest costs associated with borrowing and investing area reasonably likely to be minimised on average over the longer term.

4. DEFINITIONS:

<i>LGFA</i>	Local Government Finance Authority
<i>Net Financial Liabilities</i>	the significance of net amount owned by council compared to operating income
<i>Better Practice Model- Internal Financial Controls for SA Councils (BPM)</i>	The framework of internal financial controls legislated for South Australian Local Government external audits

5. POLICY STATEMENTS:

5.1 Treasury Management Strategy

5.1.1 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
- 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)

- 5.1.2 Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will;
- Maintain target ranges for its Net Financial Liabilities ratio
 - 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
 - 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.
 - A report on the performance and outcomes of Council's investments and borrowing shall be presented to the Audit and Risk Committee and council annually.

5.2 Investments

- 5.2.1 Investments will be held in the name of the council.
- 5.2.2 A report on the performance of investments held by council shall be presented to the Audit and Risk Committee and Council annually.
- 5.2.3 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.
- 5.2.4 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.
- 5.2.5 Where council has funds available for investment, funds may be invested in 'at call' or 'fixed term' dependent upon cash flow requirements and interest rates.
- 5.2.6 In the case of fixed term investments, the term should not exceed a point in time where the funds could otherwise 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.
- 5.2.7 When investing funds, council will select the investment type that delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.
- 5.2.8 Council management may invest surplus funds in;
- LGFA and/or
 - Bank interest bearing deposits.

5.2.9 Any other investment requires the specific approval of council. Council must be mindful of the requirements of the Local Government Act 1999, in particular S139(2)(b) which provides that a council must avoid investments that are speculative or hazardous in nature.

5.3 Conflict of Interest

5.3.1 Conflicts of interest for staff and elected members are to be disclosed as part of investment decisions.

5.4 Interest Rate Risk Exposure

5.4.1 When interest rates are low, council may consider long term fixed interest rate borrowings. When interest rates are increasing, interest rate exposure may be minimised with a mix of short and long-term borrowings. This mix would also include fixed and variable interest rates.

5.5 Third Party Loans – Including Community Loans

5.5.1 When undertaking a loan that is to be charged to a third party under agreement (including community loans), council may structure the loan term and whether the interest is fixed or variable according to the requirements of the agreement.

6. **INTERNAL FINANCIAL CONTROLS:**

6.1 Internal control is one of the foundations of a robust corporate governance framework. S125 of the Local Government Act 1999 requires that councils must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities. Internal financial controls are instrumental in;

- Safeguarding council assets
- Ensuring reliability of financial and non-financial reporting
- Complying with legislation and council policies
- Promoting the effectiveness and operational efficiency of council.

6.2 Legislation in South Australia recognises the 'Better Practice Model'. This is a framework which outlines the key financial risk areas in a council's operations and provides possible controls to minimise those risks.

6.3 This policy and its associated procedures assist in addressing the following financial risk areas as referenced in the 'Better Practice Model':

- Council makes poor investment decisions
- Investment transactions are either not recorded or are recorded inaccurately
- Investment income is inaccurately calculated or not recorded in the appropriate period
- Conflict of interest impacts negatively upon the investment decision
- Borrowings are either not recorded or are recorded inaccurately
- Loans are taken out without appropriate approval
- Loans are not repaid in accordance with the agreed terms

- Loan repayments are not recorded at all or are recorded inaccurately
- Lack of working capital to meet council's financial commitments

7. AVAILABILITY OF THE POLICY:

This policy will be available for inspection at the council's principal office, 29 Holland Street Kingston SE, during ordinary business hours and on council's website: www.kingstondc.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon such payment of the fee set by council.