

COUNCIL POLICY – Treasury Management Policy

Reference Number	750825
Responsible Business Unit	Corporate Services
Responsible Officer	General Manager Corporate Services
Legislation	Local Government Act 1999
Relevant Delegations	
Related Policies Management Guidelines Frameworks	Liquidity Management Strategy (Lerwin)
Link to Strategic Plan	Objective 5.1 – Effective Objective 5.2 - Sustainable
Council resolution	13 August 2018
Date Adopted	141.3
Review Date	June 2020
Previous Revisions	Item 137.1 – 14 August 2017 Item 220.1 – 14 September 2015

POLICY STATEMENT

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)

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;
- Borrow funds in accordance with the requirements set out in its Long Term Financial Plan and Annual Business Plan and Budget;
- 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.

OBJECTIVES

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 are managed to ensure debt repayment and interest payments can be serviced in the short and medium term.

SCOPE

This policy applies to the Treasury decisions of the Rural City of Murray Bridge and those parties that are making such decisions.

PRINCIPLES

Council should, where possible, fund operating expenses and replacement of existing assets through annual operating income i.e. by achieving an operating surplus.

Where possible borrowings should be limited to investment in new assets for terms not exceeding the life of the asset.

IMPLEMENTATION

Borrowings

In order to ensure flexibility Council does not set range limits for the mix of fixed and variable interest rate borrowings. Council will reduce its exposure to interest rate movements by aiming to have a portfolio of debt maturity dates on its borrowings from short to medium term.

Council will make use of the LGFA's Cash Advance Debenture facility that requires interest payments only and that enables any amount of principle to be repaid or withdrawn at call subject to market testing. At least once per year Council will market test the interest rates on deposits and borrowings with the commercial banks and invest or borrow funds to provide the best commercial outcomes. The redraw facility will provide Council with liquidity when needed.

Council has not placed a physical monetary limit on the level of borrowings it has outstanding at a given time however it places an upper limit through its financial targets. When borrowing Council will consider the following financial indicators:

- Net Financial Liabilities;
- Net Financial Liabilities Ratio.

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 not 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.

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.

Council management may from time to time invest surplus funds in:

- deposits with the Local Government Finance Authority; and/or
- bank interest bearing deposits

Any other investment outside of the above requires the specific approval of Council. Council will determine the amount and term of the investments at the time.

All investments are to be held in the name of the Rural City of Murray Bridge.

Futures Fund

Council Administration has established a Futures Fund into which proceeds from the sale of assets, which are of a material value, will be invested and quarantined for use in major new capital projects.

The funds will generally be invested over the medium term to maximise interest income although investment may be for shorter periods to take account of favourable short-term interest rates or the timing of when the funds will be invested in new capital projects.

Use of the cash held in the Futures Fund can only be used for new assets approved by Council resolution.

Reporting

At least once a year Council shall receive a report regarding treasury management performance relative to this policy document. Annually this will be undertaken as part of the preparation of the Long Term Financial Plan.

The report shall highlight:

- For each of Council's borrowing and investment accounts – 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.