



# GOVERNANCE POLICY

## TREASURY MANAGEMENT

Policy Number  
Version Number  
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Last Review  
Next Review  
GDS

G1.26  
5.1  
May 2013  
March 2019  
Dec. 2022  
9.63.1.1

## TREASURY MANAGEMENT

### POLICY

#### 1. Introduction

The 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 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 annually) to assist it in determining affordable service levels and revenue raising needs. This plan also provides projections of future cash flow availability and needs.

#### 2. Objectives

This Treasury Management Policy establishes a decision making 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; and
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

#### 3. 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;
- 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;
  - not retain and quarantine money in reserves for particular future purposes unless required by legislation or agreement with other parties;
  - borrow funds in accordance with the requirements set out in Council's long term financial plan; and
  - 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 Council's level of borrowings or to defer and / or reduce the level of new borrowings that would otherwise be required.

#### 4. Borrowings

Council will at times use a mixture of both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.

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.



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### 4.1 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 fixed interest rate borrowings it will consider using 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 ensure where possible that no more than 25% of its fixed interest rate borrowings mature and / or new loans are established in any year.

### 4.2 Variable Interest Rate Borrowings

Council has established a Cash Advance Debenture Facility with the Local Government Finance Authority. This facility has a limit of \$1,000,000 and expires 17/02/2029. The facility requires interest payments only and enables any amount of principal to be repaid or redrawn at call, providing Council with flexible access to liquidity when needed.

## 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 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 or 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
- capital guaranteed bank interest bearing deposits.

All other investment requires the specific prior approval of Council.

## 6. Reporting

At least once a year Council and the Audit Committee shall receive various reports regarding treasury management performance relative to this policy document. These reports 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 the period.

At present, these reports include the Council's Audited Annual Financial Statements (specifically Note 13 'Financial Instruments') and monthly Council Finance Reports (specifically the Debenture Loan Reconciliation).

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## 7. Account Signatories

Council's operating account transactions are mainly through internet banking (EFT) and are operated by staff under the direction of the Chief Executive Officer in line with authorisation by Council through the budget process. Two staff are required to access online banking and authorise payments. Council cheques for the operating account require two signatories.

Council will ensure Council's operating accounts, including cheque signatories, are operated by duly authorised and delegated persons holding the following positions:

Mayor  
Chief Executive Officer  
Finance and Administration Manager  
Rates / Payroll and Administration Officer  
Executive Assistant

Council may choose to authorise additional persons as signatories from time to time as human resourcing demands require.

## 8. Purchase / Works Order Delegations

Council will ensure that the following delegation levels of authority for signing of Council's Purchase Orders and Works Orders are:

|                                    |                      |
|------------------------------------|----------------------|
| Chief Executive Officer            | Maximum of \$500,000 |
| Works Manager                      | Maximum of \$ 50,000 |
| Finance and Administration Manager | Maximum of \$ 50,000 |
| Works Team Leader                  | Maximum of \$ 5,000  |
| FRVIC Co-ordinator                 | Maximum of \$ 5,000  |

## 9. Credit Card Authority

Council will approve the issuing of bank credit cards to the following officers:

|                                    |                   |
|------------------------------------|-------------------|
| Chief Executive Officer            | Limit of \$ 5,000 |
| Works Manager                      | Limit of \$ 3,000 |
| Finance and Administration Manager | Limit of \$ 3,000 |

## RESPONSIBILITIES

The Chief Executive Officer is accountable for ensuring the proper operation of this Policy.

The Senior Management Team will actively contribute to and ensure their departmental activities are conducted in an environment to ensure adherence to this Policy.

## LEGISLATION

*Local Government Act 1999*

*Local Government (Financial Management) Regulations 2011*

## REFERENCES

FRC Policy G1.25 – Procurement and Disposal v5

LGA Financial Sustainability Information Paper 15 – Treasury Management (Revised February 2015)

