

	<h2>Treasury Management Policy</h2>	Version No:	1.1
		Issued:	October 2015
		Next Review:	July 2019

1. INTRODUCTION

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 adopting and maintaining a Long-term Financial Plan and operating in a financially sustainable manner.

2. POLICY 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 reasonably likely to be minimised on average over the long term.

3. POLICY STATEMENTS

3.1 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,
- 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 and Interest Cover ratios).

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

- maintain target ranges for both its Net Financial Liabilities and Interest Cover ratios;
- 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

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to defer and/or reduce the level of new borrowings that would otherwise be required.

3.2 Interest Rate Risk Exposures

Council has set range limits for 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.

3.2.1 Fixed Interest Rate Borrowings

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

If Council is required to raise 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;
- allow principal to be repaid during the term without penalty; and
- allow the full amount of principal to be repaid (or rolled over) at maturity.

3.2.2 Variable Interest Rate Borrowings

Council will consider structuring its portfolio of borrowings to maintain an average in any year not less than 30% of its gross debt in the form of variable interest rate borrowings.

If Council is required to raise borrowings, it will consider the establishment and 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 redraw facility will provide Council with access to liquidity when needed.

3.3 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 payroll and accounts payable requirements.

Council funds available for investment will be lodged 'at call' or, having regard to 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

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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 may from time to time invest surplus funds in:

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

3.4 Reporting

At least once a year Council 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 exchanges 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 for this policy.

4. RELEVANT LEGISLATION

4.1 For Borrowings

- Local Government Act, 1999
 - Section 44
 - Section 122
 - Section 134
- Regulations 5 & 5B of the Financial Management Regulations under the Act

4.2 For Investments

- Local Government Act, 1999
 - Section 47
 - Section 139
 - Section 140

5. FURTHER INFORMATION

Members of the public may inspect this Treasury Management Policy at the principal office of the District Council of Franklin Harbour, 6 Main Street Cowell SA 5602, and on

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payment of a fee obtain a copy. A copy may also be downloaded from the Council website www.franklinharbour.sa.gov.au.

6. REVIEW OF THE POLICY

This Treasury Management Policy will be reviewed by the District Council of Franklin Harbour within 12 months after each general election of Council. To ensure that the principle of open Government is being applied in the proper manner, it is anticipated that a review will be conducted every two years. However, Council has the right to review this Policy at any time, if considered desirable

Adopted by Council	March 2011
Reviewed and Updated	14 October 2015

SIGNED:
	Responsible Officer
	Date: ____ / ____ / ____