

District Council of Elliston Policy



Finance

E008 Treasury Management

| | |
|---|---|
| Signature |  |
| Policy Issued & Effective from | 17 October 2023 |
| Date of Last Review | 19 February 2019 |
| Version No. | 3 |
| Next Review Date | September 2027 |
| Person responsible for maintaining | Deputy Chief Executive Officer |

Refer to the last page of this document for the Document History Table

District Council of Elliston Policy

E008 Treasury Management

1. Introduction

This policy provides clear direction to the District Council of Elliston (**Council**) and its staff in relation to the treasury function. It underpins Council's decision-making regarding the financing of its operations in the annual budget and Long Term Financial Plan (**L T F P**) and associated projected and actual cash flow receipts and outlays.

Council is committed to operating in a financially sustainable manner and maintains a LTFP (updated at least annually) to assist it to determine affordable service levels and revenue raising needs. This plan also provides projections of future cash flow availability and needs.

2. Purpose

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

- funds are available as require to support approved outlays;
- interest rates 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 longer term.

3. Treasury Management Strategy

Operating and capital expenditure decisions are made based on:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and
- affordability of proposed expenditure 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 for particular future purposes unless required by legislation or agreement with other parties;
- borrow funds in accordance with the requirements set out in its LTFP or Annual Business Plan;
- wherever possible, apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes and 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;
- report on the performance and outcomes of the Council's investments and borrowings to the Audit and Risk Committee and to the Council at the completion of each financial year.

4. Investments

Council funds that are not immediately required for operational expenses 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 doesn't generate investment return at least consistent with "at call" market rates, shall be kept at a level that

District Council of Elliston Policy

E008 Treasury Management

is no 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 for varying maturity rates.

When investing funds, Council will select the investment type that delivers the best value. In determining best value Council will consider 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 requires specific approval of Council.

5. Interest Rate Risk Exposure

In determining the proportion of its gross debt that it wishes to hold at any time, in the form of either fixed or variable interest rate borrowings, Council will need to take account of, and achieve its preferred balance between:

- interest costs;
- the risk of interest rate changes; and
- flexibility (having regard to future projections of cashflow and debt).

Council staff actively keep abreast of current economic conditions and updates provided by the Local Government Finance Authority.

Financial modelling at the time of debt financing will determine the split between fixed and variable interest rates based on the current economic conditions and will be reviewed annually.

Council may make use of a variable interest rate borrowing facility and/or LGFA’s Cash Advance Debenture Facility that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity. These borrowings will have a long term maturity date and an interest rate that will vary from time to time.

The outstanding level of drawdowns on the facility may vary during a year and between years with the timing and extend of cash inflows and outflows. This requires internal controls and delegations endorsed by Council. Drawdowns and repayments to and from the Cash Advanced Debenture Facility are to be authorised by a minimum of two staff members, being the Chief Executive Officer and one other senior staff member.

6. Associated Documents

- Local Government Act 1999
- Long Term Financial Plan
- Annual Business Plan and Budget

District Council of Elliston Policy
E008 Treasury Management

| DOCUMENT HISTORY | | | | |
|-------------------------|--|--------------------|------------------|-------------------|
| Version | Changes since last version | Approved by | Record No | Issue Date |
| 1 | Original | Council | | November 2015 |
| 2 | Reviewed | Council | | February 2019 |
| 3 | Updated with new format Definitions section removed Interest Rate Risk Exposure changed to reflect the economic conditions at the time of debt financing | Council | 9.63.1/1 | October 2023 |