



City of Salisbury Values: Respectful, Accountable, Collaborative, Helpful

Treasury Policy

Adopted by:	Council
Responsible Division:	Financial Services
First Issued/Adopted:	23 March 2010
Last Reviewed:	23 October 2023 (Resolution No. 0501/2023)
Next Review Date:	November 2027

1. Purpose

1.1 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 longer term;
- Further clarifies the treatment of surplus funds, identified through the Budget Review process.

2. Scope

- 2.1 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 business plan, budget and long-term financial plan and associated projected and actual cash flows receipts and outlays.
- 2.2 Council is committed to adopting and maintaining a long-term financial plan and operating in a financially sustainable manner.
- 2.3 Section 3 of the *Local Government Act 1999*, requires Council to act in a way that is effective, efficient and accountable. This is especially of importance when managing monies acquired by Council in order to provide benefit to the community.

3. Legislative Requirements and Corporate Policy Context

Borrowings

- 3.1 *Local Government Act 1999 Sections 44, 122 and 134*
- 3.2 *Local Government (Financial Management) Regulations 2011*

Investments

- 3.3 *Local Government Act 1999 Sections 47, 139 and 140*

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;
 - The 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).

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;
- Generally, only borrow funds when it needs cash and not specifically for particular projects;
- 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.

Budget Review Process / Funding Requests arising throughout the financial year

5.1.3 Apply surplus contained within the Sundry Projects Fund, following adjustments for variations to existing estimates, to a reduction in borrowings.

5.1.4 To ensure ongoing financial sustainability and appropriate deliberation of arising matters, it is imperative that wherever possible any new bids/projects arising through the year are to be referred to the budget process for the subsequent year as this enables Council to consider the merits of these proposals with all other bids/projects.

5.1.5 To be considered for funding during the year the project must be urgent or advantageous to Council, and where possible Council should consider options for cancelling or deferring existing projects to enable funds to be made available. It should be considered a last resort to add to the program and increase borrowings as this does not enable Council to consider the merits of the specific project in light of all other proposed projects.

5.1.6 From time to time a matter may be referred to the next quarterly budget review as a 'Non-discretionary Budget Review Bid'. This mechanism is only to be used when funds must be expended without delay, and consequently should be regarded as an extraordinary situation or advantageous to Council.

5.2 Interest Rate Risk Exposures

- 5.2.1 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.
- 5.2.2 These limits defined below are to apply when Net Financial Liabilities Ratio exceed 10%. At times of NFL Ratio below 10% where possible limits defined before will be maintained.
- 5.2.3 **Fixed Interest Rate Borrowings**
- To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings to maintain on average in any year, not less than 20% of its facilities in the form of 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.
- 5.2.4 **Variable Interest Rate Borrowings**
- Council will structure its portfolio of borrowings to maintain not less than 20% of its average total borrowings in any year in the form of variable interest rate borrowings.
 - Council will utilise long-term variable interest rate borrowings facilities, such as the LGFA's Cash Advance Debenture, that require 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.

5.3 Investments

- 5.3.1 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 no greater than is required to meet immediate working capital requirements.

- 5.3.2 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.
- 5.3.3 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.
- 5.3.4 Council management may from time to time invest surplus funds in:
- Deposits with the Local Government Finance Authority; and/or
 - Bank interest bearing deposits
 - Bank accepted/endorsed bank bills
 - State/Commonwealth Government Bonds
- 5.3.5 Any other investment requires the specific approval of Council.

5.4 Reporting

- 5.4.1 During the year Council will receive a report detailing total fixed borrowings and variable borrowings at the end of the preceding month, also average variable facility drawdown year to date, details of all investments held, their term and interest rate. Timing of these reports will be November, February and May, unless there is an opportunity to report earlier, with the end of year reported as soon as practicable as part of our end of year reporting).
- 5.4.2 At least once a year Council shall receive a specific report regarding treasury management performance relative to this Policy. The report shall highlight:
- For each of Council's borrowings and investments – 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 along with key reasons for significant variances compared with the targets specified in this policy.

6. Approval and History

Version	Approval Date	Approval By	Change
1	23 March 2010	Council	
2	27 April 2011	Council	
3	23 September 2013	Council	
4	26 April 2016	Council (1026/2023)	Sundry projects fund policy was incorporated into the Treasury Policy and removed from being a stand alone policy
5	27 November 2017	Council (2173/2017)	No material Changes
6	25 November 2019	Council (0333/2019)	Reduction in the floor of each borrowing type from 30% to 20%
7	26 October 2020	Council (0709/2020)	Policy was strengthened with regards to funding projects through budget reviews
8	25 July 2022	Council (0709/2023)	Borrowing mix requirements applies only when NFL Ratio is above 10%
9	23 October 2023	Council (0501/2023)	Minor edits. Change in reference to budget in paragraph 2.1 to include annual business plan.

7. Availability

- 7.1 The Policy is available to be downloaded, free of charge, from Council's website www.salisbury.sa.gov.au
- 7.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

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8. Review

This Policy will be reviewed within 12 months of a Council election and thereafter as necessary; or If deemed necessary by Council.

Further Information

For further information on this Policy please contact:

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