

1. Introduction

This policy provides clear direction to the District Council of Mount Remarkable (the Council) and its staff in relation to the treasury function. It underpins the Council's decision making regarding the financing of its operations in its annual budget and long-term financial plan and associated projected and annual cash flow receipts and outlays.

The Council is committed to operating in a financially sustainable manner and maintains a long-term financial plan, updated annually, to assist in determining affordable service levels and revenue raising needs. This plan also provides projections of future cash flow availability and needs.

2. Policy Objectives

This policy establishes a decision making framework to ensure that:

- funds are available as required to support approved outlays;
- interest rate and other risks (eg. 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. Definitions

LGFA – Local Government Finance Authority.

Better Practice Model – the framework of internal financial controls legislated for South Australian Local Government external audits.

4. Policy Statements

4.1 Treasury Management Strategy

4.1.1 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; and
- affordability of proposals having regard to the Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on the Council's Net Financial Liabilities ratio).

- 4.1.2 The Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means the 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 Long-Term Financial Plan, Annual Business Plan and Annual Budget;
 - 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 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; and
 - report on the performance and outcomes of the Council's investments and borrowings to the Audit & Risk Committee and to the Council at the completion of each financial year.

4.2 Investments

- 4.2.1 Investments will be held in the name of the Council.
- 4.2.2 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.
- 4.2.3 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.
- 4.2.4 Where the Council has funds available for investment, funds may be invested in 'at call' or 'fixed term' dependent upon cash flow requirements and interest rates.
- 4.2.5 In the case of fixed term investments, the term should not exceed a point in time where the funds could otherwise 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.
- 4.2.6 When investing funds, the Council will select the investment type that delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

- 4.2.7 The Council's management may invest surplus funds in:
- the LGFA; and/or
 - Bank interest bearing deposits.
- 4.2.8 Any other investment requires the specific approval of Council. Council must be mindful of the requirements of the Local Government Act 1999, in particular S139(2)(b) which provides that the Council must avoid investments that are speculative or hazardous in nature.

4.3 Conflict of Interest

- 4.3.1 Conflicts of interest for staff and Elected Members are to be disclosed as part of investment decisions.

4.4 Interest Rate Risk Exposure

- 4.4.1 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 LGFA.

4.5 Third Party Loans – including Community Group Loans

- 4.5.1 When undertaking a loan that is to be charged to a third party under agreement (including community group loans), the Council may structure the loan term and whether the interest is fixed or variable according to the requirements of the agreement, in line with Council's *Community Group Loan Policy*.

5. Internal Financial Controls

- 5.1 This policy and its associated procedures assist in addressing the following financial risk areas as referenced in the 'Better Practice Model':
- the Council makes poor investment decisions;
 - investment transactions are either not recorded or are recorded inaccurately;
 - investment income is inaccurately calculated or not recorded in the appropriate period;
 - conflict of interest impacts negatively upon investment decision;

- borrowings are either not recorded or are recorded inaccurately;
- loans are taken out without appropriate approval;
- loans are not repaid in accordance with the agreed terms;
- loan repayments are not recorded at all or are recorded inaccurately; and
- lack of working capital to meet the Council's financial commitments.

6. Legislation

- Local Government Act 1999
- Local Government (Financial Management) Regulations 2011

7. Document administration and control

Policy title:	Treasury Management Policy
Policy number:	04.79
Policy type:	Council / Public
Responsible Officer	Director Community & Corporate
Committee Review:	Audit & Risk Committee May 2023 [033-2023]
First issued / adopted:	19 July 2022; 149-2022
Review period:	Reviewed within 12 months following the conclusion of a periodic election, inline with legislative changes or by resolution of Council
Last reviewed:	20 June 2023 [113-2023]
Next review date:	By November 2027
Version:	Version 2
Date revoked:	N/A
Public consultation required / undertaken:	No
Availability	<p>This Policy is available for inspection at the Council office and any person may obtain a copy of this Policy upon payment of the fee fixed by Council in accordance with Council's Fees and Charges adopted each financial year. It is also available on Council's website www.mtr.sa.gov.au.</p> <p>Any grievance in relation to this policy or its application should be forwarded in writing to the Chief Executive Officer of the Council.</p>
File reference:	4. Policy Manuals / Policy Manual /Current Policy Manual

SIGNED:



Chief Executive Officer

Date: 21/6/2023