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| | Version Number: 3 | Next Review: As Required |
| TREASURY MANAGEMENT POLICY | | |

Policy Statement

The Treasurer Management Policy (Policy) exists to ensure sound management of Council’s financial transactions with regards to borrowings and investments, ensuring compliance with relevant legislation.

1. Introduction

The Copper Coast Council (Council) is committed to operating in a financially sustainable manner and maintains a Long-term Financial Plan to assist it to determine affordable service levels and revenue raising needs which also provides projections of future cash flow availability and needs.

2. Scope

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 as documented in its Annual Budget (AB) and Business Plan (BP) and Long Term Financial Plan (LTFP) and associated projected and actual cash flow receipts and outlays.

3. Applicable Legislation

3.1. The following legislation applies to this Policy:

- Local Government Act 1999 (*Borrowings - Sections 44, 122, 132 and Investments - Section 47, 139, 140*).

3.2. This Policy is not a mandatory requirement but essential for good governance.

4. Integration with Corporate Objectives

4.1. This Policy supports Council’s Strategic Plan 2019 - 2029

- Governance Objective – Leadership
 Goal 5 - To provide leadership and ensure resources are managed efficiently and effectively.
 5.2 Finance – To have open, accurate and effective financial management.

5. Related Council Policies and Documents

This Policy is also designed to operate in conjunction with other Council policies, including but not limited to:

- Complaints Policy
- Fraud and Corruption, Misconduct and Maladministration Policy

6. Definitions

For the purposes of this Policy, all terms and references are as defined in the Local Government Act 1999 and in addition, the following definitions apply:

- 6.1. **Chief Executive Officer (CEO)** means the appointed Chief Executive Officer under Section 96 of the Local Government Act 1999 and includes any person acting or delegated by the Chief Executive Officer's under Sections 100 and 101 of the Local Government Act 1999.
- 6.2. **Council** means the Copper Coast Council and any delegate of the Council.
- 6.3. **Financial Assets** include cash, investments, receivables and prepayments. Equity held in a Council business is normally regarded as a financial asset but is excluded for the purpose of calculating Local Government published financial indicators. Also, inventories and land held for resale are not regarded as financial assets.
- 6.4. **Financial Sustainability** is achieved where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.
- 6.5. **Net Financial Liabilities** equals total liabilities less financial assets, where financial assets for this purpose include cash, investments, receivables and prepayments, but excludes equity held in a Council business, inventories and land held for resale.
- 6.6. **Debt Servicing Ratio** indicates the extent to which a Council's operating revenues are committed to its Debt Servicing costs (Principal and interest repayments).
- 6.7. **Net Financial Liabilities Ratio** indicates the extent to which net financial liabilities of a Council could be met by its operating revenue.
- 6.8. **Non-financial or Physical Assets** means infrastructure, land, buildings, plant, equipment, furniture, and fittings, library books and inventories.
- 6.9. **Operating Revenues** are 'operating revenues' as shown in the Income Statement but exclude profit on disposal of non-financial assets, grants and contributions received specifically for new/upgraded infrastructure and other assets, e.g. from developer.
- 6.10. **Rates Revenue** is general and other rates net of the impact of rate rebates and revenue from the Regional Landscape Levy.

7. Application

Treasury Management Strategy

- 7.1. Council's operating and capital expenditure decisions are made on the basis of:
 - 7.1.1. identified community need and benefit relative to other expenditure options;
 - 7.1.2. cost effectiveness of the proposed means of service delivery; and,
 - 7.1.3. 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) and in line with the directions set out in Council's Strategic Plan and scheduled works in the Infrastructure and Asset Management Plans.
- 7.2. Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:
 - 7.2.1. maintain target ranges for its Net Financial Liabilities Ratio;
 - 7.2.2. not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
 - 7.2.3. borrow funds in accordance with the requirements set out in its Long-Term Financial Plan;

- 7.2.4. 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.

Borrowings

- 7.3. 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.

Fixed Interest Rate Borrowings

- 7.3.1. 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, to progressively achieve and thereafter maintain on average in any year, not less than 30% of its gross debt in the form of fixed interest rate borrowings.
- 7.3.2. 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.
- 7.3.3. 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:
- a) have a fixed interest rate;
 - b) require interest payments only;
 - c) allow principal to be repaid during the term without penalty;
 - d) allow the full amount of principal to be repaid (or rolled over) at maturity.

Variable Interest Rate Borrowings

- 7.3.4. Council will consider structuring its portfolio of borrowings to maintain on average in any year not less than 30% of its gross debt in the form of variable interest rate borrowings.
- 7.3.5. If Council is required to raise borrowings, it will consider the establishment and use of a long-term variable interest rate borrowing facility/LGFA Cash Advance Debenture facility that requires interest payments only and that enable any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

Investments

- 7.4. 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.
- 7.5. 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.

- 7.6. 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.
- 7.7. Council management may from time to time invest surplus funds in:
- 7.7.1. deposits with the Local Government Finance Authority; and/or
 - 7.7.2. capital guaranteed bank interest bearing deposits
 - 7.7.3. bank at call Cash Management accounts.
- 7.8. Any other investment requires the specific prior approval of Council. Where Council authorises any investments of a type outside of those specified above, the amount so invested will be cumulatively limited to no more than 20% of the average level of funds expected to be available for investment by Council over the duration of the specific authorised investments.

Reporting

- 7.9. In accordance with Section 140 of the Act, a report will be presented to Council annually summarising performance of the investment portfolio highlighting:
- 7.9.1. 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
 - 7.9.2. The proportion of fixed interest rate and variable interest rate borrowing 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 in this Policy.

8. Complaints

- 8.1. Complaints under this Policy must be in writing to the Chief Executive Officer and lodged in accordance with Council's Complaints Policy.

9. Council Delegation

- 9.1. Pursuant to Section 44 of the Local Government Act 1999, Council has delegated to the Chief Executive Officer authority to administer Council's policies.
- 9.2. This Policy will be implemented by the Chief Executive Officer or relevant portfolio director and managed in accordance with Council's scheme of delegations.

10. Adoption and Review

- 10.1. This Policy will be reviewed annually, or more frequently, if legislation or Council requires by the Corporate Services Department and a report shall provide to the Audit Committee for consideration and adoption.

11. Records Management

- 11.1. Official records will be managed in accordance with Council's Records Management Policy pursuant to Section 125 of the Local Government Act 1999.

12. Availability of Policy

- 12.1. Policies will be available for inspection without charge at Council's Principal Office and on Council's website www.coppercoast.sa.gov.au.
- 12.2. A copy of this Policy may be obtained on payment of a fee in accordance with Council's Register of Fees and Charges.

Signed

Mayor

Chief Executive Officer

Date

5th July 2023