

DISTRICT COUNCIL OF LOWER EYRE PENINSULA

Treasury Management Policy



“Working with our Rural & Coastal Communities”

	FIN-POL-03 – TREASURY MANAGEMENT	Version No:	1.2
		Issued:	July 2019
		Next Review:	July 2022

Responsibility:	Finance
Minutes reference:	C201 (2)
Applicable Legislation:	Local Government Act 1999 s44,47,122,134,139,140, Part 2 S3, Local Government (Financial Management) Regulations 1999
Related Policies/Procedures/Codes:	FIN-POL-07 - Internal Control Policy FIN-POL-02- Loans to Sporting Bodies and Community Groups

1. PURPOSE

The purpose of the Treasury Management policy is to establish financial management guidelines and practices to ensure the financial sustainability of the Council. In particular the adoption of such guidelines and practises will ensure that:

- Funds are available as required to support day to day operations;
- Sustainable borrowing practises are maintained that reflect both intergenerational equity and a prudent approach to budgeting; .
- Interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed; and
- The net costs associated with borrowing and investing are minimised over the longer term.

2. PRINCIPLES

Council's operating and capital expenditure decisions are made with consideration of:

- Identified community need and benefit relative to other expenditure options;
- Cost effectiveness of the proposed means of service delivery;
- 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, Interest Cover ratios and Debt Servicing Ratios);
- The decision to borrow being separate from the decision to incur operating or capital expenditure;
- The philosophy that the term of borrowing should not exceed the life of the asset being funded;
- Council management of its finances in a holistic manner in accordance with its overall financial sustainability strategies and targets;
- Council will give consideration to Reserve Bank forecasts for the Australian economy in its decision making with regard to the method of borrowing to manage capital works.

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3. POLICY STATEMENT

The Treasury Management Policy assists Council's decision making regarding the funding of Council's operations in terms of cash flow, budgeting, borrowings and other investments.

The Treasury Management policy links closely to Council's Strategic Plan and Long Term Financial Planning within the context of:

- Strategic planning covering short, medium and long term expenditure;
- Current and estimated future revenues;
- Intergenerational equity considerations;
- Current and future funding needs for both operating and capital expenditure;
- Potential movements in interest rates, and other variables that are linked to revenues and/or expenditures.

4. INTERGENERATIONAL EQUITY FUNDING

The intergenerational equity concept is the funding of capital expenditures beyond the year of expenditure to ensure that users of infrastructure make reasonable payment for the benefit enjoyed. Borrowing is a useful mechanism for spreading payment for assets over a longer timeframe reflecting that those assets provide benefit to ratepayers, thus ensuring to a large extent that the ratepayers who benefit from the assets pay for their consumption.


5. SURPLUS FUNDS AND BORROWINGS

Where surplus funds are available, the decision to repay borrowings shall be made based on the facts available at the time, giving due regard to minimising the overall cost to Council. Surplus funds may also be applied to reducing approved borrowings.

6. DEBT LEVEL

Council will endeavour to structure its borrowing program in order to maintain the annual debt servicing commitment at less than 15% of general rate revenue.

This policy applies only to those loans to be serviced by general rate income and does not include self servicing or self funding activities such as Community Wastewater Management Schemes, Caravan Parks or Airports where income from the activity is expected to be available to meet the repayments.

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7. RISK MINIMISATION

All treasury activities will be undertaken in a manner that minimises risk to Council.

8. RESERVES

Council may establish reserve accounts as a useful means of recognising and planning for future proposals with regard to self funding business activities.

The Treasury Management policy will only be used when considering borrowing or investment activities in relation to Council funded projects.

9. 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.

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.

This policy should be read in conjunction with the LGA Financial Sustainability Program Information Paper 15 which addresses issues such as:

- Legislative powers
- Financial sustainability
- Financing decisions
- Capital outlays
- Financial indicators
- Reserves
- Interest rate exposures
- Investments
- Reporting
- Annual review of investments

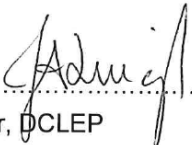


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SIGNED: 

 CEO



 Mayor, DCLEP

Date: 19 / 07 / 2019

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DOCUMENT HISTORY		
Version:	Issue Date:	Description of Change:
1.1	June 2015	Adopted
1.2	19/07/19	Reviewed without amendment