



COUNCIL POLICY

Treasury Management

Policy Number:	PO139		
Strategic Plan Objective:	L – Responsible Leadership and Governance L4. Continue to meet all legislative requirements and compliance with Council’s internal controls.		
Policy Owner:	Director Corporate and Community Services	Record Number:	16/14813[v7]
Responsible Officer:	Manager Financial Services	Minute Reference:	349/2025
Date Adopted:	10/12/2025	Next Review Date:	December 2029

1. POLICY OBJECTIVES

This Treasury Management Policy establishes a 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.

2. SCOPE

This policy provides a 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 and Budget (ABP) , Long Term Financial Plan (LTFP) 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 cashflow availability and needs.

All investments and borrowings are to be made exercising care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons.

3. DEFINITIONS

Refer to Attachment 1.

4. POLICY STATEMENT

4.1. Treasury Management Strategy

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 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 (NFLR)¹.

Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain a target range for its Net Financial Liabilities Ratio;
- not retain and quarantine money for particular future purposes unless required by legislation or agreements with other parties;
- borrow funds in accordance with the requirements set out in its LTFFP or review its LTFFP to reflect any other borrowings determined by Council;
- 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.
- not to borrow to fund long term operating deficits.

4.2. Interest Rate Risk Exposures

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.

4.2.1. Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will ensure that its portfolio of borrowings, as old borrowings mature and new ones are raised, to maintain on average in any one year not less than 30% of its gross debt in the form of fixed interest rate borrowings based on budgeted projections.

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.

In circumstances where Council needs to raise new fixed interest rate borrowings it will consider using medium to long-term borrowings (three or more years duration) that:

- have a fixed interest rate;
- require interest payments only; and
- allow the full amount of principal to be repaid (or rolled over) at maturity.

Council also will ensure that no more than 25% of its fixed interest rate borrowings mature in any year.

¹ The LGA's Financial Sustainability Information Papers 9 and 12 provide further information on these (and other) financial sustainability indicators and associated targets.

4.2.2. Variable Interest Rate Borrowings

Council will ensure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, not less than 30% of its gross debt on average in any year in the form of variable interest rate borrowings.

Council will establish, and make extensive use of, the Local Government Finance Authority (LGFA) Cash Advance Debenture (or similar product) that requires 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.

4.3. 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. 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.

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.

When investing funds, 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.

Council management may from time to time invest surplus funds in:

- deposits with the LGFA; and/or
- interest bearing deposits with Authorised Deposit-Taking Institutions (ADIs),

Any other investment requires the specific 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.

Conflicts of interest are to be disclosed as part of investment decision process where investment is to be made with any organisation other than the LGFA.

Council's financial service staff are authorised to transfer funds between LGFA accounts and to Council's nominated operating bank account with Council's CEO and Manager Financial Services to receive external confirmation of transfers from the LGFA.

4.4. Reporting

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 Council borrowing and investment – 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 and an estimate of the average of these proportions across the period along with key reasons for significant variances compared with the targets specified in this policy.
- Budgeted borrowings versus actual borrowings.

5. COMPLAINTS

Complaints in relation to this policy can be directed to the Director Corporate and Community Services and will be managed in accordance with Council's PO147 Complaints Policy.

6. REVIEW

This policy will be reviewed every four (4) years or as deemed necessary in consideration of any changes to legislation and relevant standards, codes and guidelines.

7. TRAINING

Council is committed to supporting employees in complying with this policy. Training needs will be reviewed annually, during individual performance reviews and as necessary in consideration of any changes to legislation and relevant standards, codes and guidelines.

8. RECORDS

Records shall be maintained as required by Council's Records Management Policy (PO063) and relevant legislation.

9. RELATED COUNCIL POLICIES/PROCEDURES AND DOCUMENTS

Council's Delegations Register
Annual Business Plan and Budget
Long Term Financial Plan (current)
Strategic Management Plan (current)
Strategic Asset Management Plan (current)

10. REFERENCES AND LEGISLATION

For Borrowings

- a) Local Government Act, 1999
 - Section 44
 - Section 133
 - Section 134
 - Section 122
- b) Regulations 5 and 5B of the Financial Management Regulations under the Act.

For Investments

- a) Local Government Act, 1999
 - Section 44

- Section 47
- Section 139
- Section 140

11. COUNCIL DELEGATION

Any applicable delegations are available on Councils website via the Delegations register via <https://yorke.sa.gov.au/about-us/forms-plans-and-publications/registers/>

12. VERSION HISTORY

Version No	Issue Date	Description of Change
6	08/09/2021	Minor changes.
7	16/12/2025	Updated to reflect changes to the LGA model policy as recorded in Financial Sustainability Information Paper (FSIP) No.15 issued November 2024. Inclusive of adjustments to recommended proportion of fixed and variable interest rate borrowings as a proportion of Council's gross debt.

ATTACHMENT 1: DEFINITIONS

Term/Reference	Definition
Fixed Interest	A loan where the interest is fixed for the term of the loan
Variable interest	A loan where the interest rate fluctuates over the life of the loan
Authorised Deposit-Taking Institution (ADI)	An Australian government term for a corporation which is authorised under the Banking Act 1959 to take deposits from customers. ADIs include banks, building societies and credit unions.
Liquidity risk	The risk of sufficient cash not being immediately available to meet immediate obligations
At call investments	Funds immediately available, with 24 hours' notice.
Net Financial Liabilities Ratio	<p>The net financial liabilities ratio effectively shows the percentage of a council's operating income that would be required if the council had to repay all its liabilities, including borrowings.</p> <p>The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year.</p>