THE BAROSSA COUNCIL
TREASURY MANAGEMENT POLICY

1.	Purpose

1.1 This Policy is designed to provide clear direction to Council and its Officers in relation to the Treasury Management function. It underpins Council's decision-making regarding the financing of its operations as documented in its Annual Budget and Business Plan (AB&BP) and Long Term Financial Plan (LTFP) together with associated projected/actual cash flow of receipts and payments.

1.2 This Policy establishes a decision framework to ensure that:

1.2.1 funds are available as required to support approved payments;

1.2.2 the interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;

1.2.3 the net interest costs associated with borrowing and investing are reasonably likely to be minimised (on average) over the longer term; and

1.2.4 Council will assess Community Loan requests, considering
1.2.4.1 due process with selected application information and criteria requirements in the Community Loan Application Package
1.2.4.2 the Loan portfolio of the Council and Financial sustainability of the Club
1.2.4.3 community benefit including: enhancing the area and community services, upgrading assets, a co-contribution for improvements, supporting clubs/groups progress

2.	Scope

2.1. This Policy is to be applied by Council and its Officers involved in the Treasury Management function.

2.2. This Policy covers the following areas of Treasury Management:

2.2.1. Treasury Management Strategy

2.2.2. Borrowings
2.2.2.1. Interest Rate Risk Exposures
2.2.2.2. Loans to/Guarantor for Community Groups

2.2.3. Investments

2.2.4. Reporting

3.	Policy Statement

3.1. Treasury Management Strategy

3.1.1. Council's operating and capital expenditure decisions are made on the basis of:

3.1.1.1. the identified community need and benefit relative to other expenditure options;

3.1.1.2. the cost effectiveness of the proposed means of service delivery; and

3.1.1.3. 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 Operating Surplus Ratio, Asset Sustainability Ratio and Net Financial Liabilities Ratio).

3.1.2. Council manages its finances holistically in accordance with its overall Financial Sustainability strategies and targets. This means Council will:

3.1.2.1. maintain target ranges for its Net Financial Liabilities ratio, ie that the ratio will not exceed 100% of total operating revenue;

3.1.2.2. not retain and quarantine money in Reserves for particular future purposes unless required by legislation or agreement with other parties;

3.1.2.3. generally only borrow funds when it needs cash and not specifically for particular projects, ie use available surplus cash and investments before undertaking a new borrowing ; and

3.1.2.4. consider the use of any funds that are not immediately required to meet approved expenditure for reducing the current level of borrowings.

3.2. Borrowings

3.2.1. *Interest Rate Risk Exposures*

3.2.1.1. Council will aim to keep debt levels both during a year and over periods of years as low as its AB&BP and LTFP allow (and its AB&BP and LTFP should be based on best meeting community needs in an equitable and financially sustainable manner).

3.2.1.2. On average over time, fixed interest rate borrowings normally are slightly more expensive than variable rate ones because of the certainty they offer. When assessing new external loan borrowings (after utilisation of internal cash reserves in accordance with this Policy), consideration will be given to the following to minimise net interest costs:

3.2.1.2.1. Term of loan (including consideration of Inter-Generational equity issues and matching the life of the loan with the projected useful life(s) of the associated assets where the funds are being utilised to finance major projects. Appropriate review for short vs long term loans in periods of significant or reduced cash holding to minimize the net interest margin. For major expenditure programs, where required prepare a prudential report pursuant to Section 48 of the Local Government Act 1999 and the Prudential Management Policy).

3.2.1.2.2. Fixed vs Variable rate of interest (including consideration of utilising the Cash Advance Debenture facility from the Local Government Finance Authority of SA that requires interest payments only and enables any amount of principal to be repaid or redrawn at call).

3.2.1.2.3. Target / threshold levels for Council's Key Financial Performance indicators.

3.2.1.3. Council monitors its Net Financial Liabilities Ratio incorporating Council's borrowings as projected through the LTFP and AB&BP and then assessed in the Mid–year Budget Review, Annual Financial Statements and Report on Financial Results to the adopted target range.

3.2.1.4. Other Financial Accommodation and Arrangements in the Act

3.2.2. <u>Loans/Loan Guarantor for Community Groups</u>

3.2.2.1. Council values and recognises the role of community groups and sporting clubs within the region and endeavours to support them in a variety of ways. Community Loans are described as "support loans made by Council to community groups and sporting organisations to self-fund infrastructure projects".

3.2.2.2. The offering of loans or loan guarantees to community groups will only be considered after all other funding options have been fully exhausted and compliance with the requirements of the policy have been met. These other funding options include:
3.2.2.2.1. Government grants
3.2.2.2.2. Sponsorship
3.2.2.2.3. Fundraising
3.2.2.2.4. Application for credit from a lending institution.

3.2.2.3. From time to time Community Groups approach Council for financial support by way of a self-supporting loan or to be Guarantor for an external loan. Council may agree to:
3.2.2.3.1. Act as a guarantor for the organisation
3.2.2.3.2. Borrow funds from the Local Government Financial Authority (LGFA) on behalf of the organization.
3.2.2.3.3. Loan funds from existing Council cash reserves with the interest applicable, not advisable, options a) and b) is preferred.

3.2.2.4. While Council appreciates that financial institutions may not loan funds to a Community group that is leasing Council Land, Council also recognises that it is not in the business of providing financial assistance to third parties through the lending of funds or providing a loan guarantee, nor is it a registered financial institution.

3.2.2.5. The Local Government Act 1999 Section 139 also precludes Council from making investments into businesses or operations of a business for profit nature.

3.2.2.6. The minimum value of an individual Community loan will be $50,000.

3.2.2.7. The Council community loans/loan guarantees portfolio should be maintained below 7.5% of Councils General Rate Revenue at any one time to ensure the financial sustainability of Council's overall financial position. This ensures that Council's loan capacity is not inhibited and that it does not significantly affect financial performance indicators.

3.2.2.8. Specific eligibility criteria is required to be met for the project to receive funding by Council which is:

3.2.2.8.1. The proposed project must address at least one of the strategies in Council's Community Plan.

3.2.2.8.2. The project must have demonstrated community benefit that support the community at large.

3.2.2.8.3. Applications will only be considered by groups who are resident in The Barossa Council area or provide a significant benefit to The Barossa Council community.

3.2.2.8.4. Loans will predominantly be used for capital improvements and the construction on Council land and/or acquisition of capital assets.

3.2.2.8.5. Requests associated with meeting ongoing salary, rent, day to day operating costs or commercial undertakings will not be considered.

3.2.2.8.6. The repayment period should not exceed the life of the asset or the term of the existing lease agreement and will generally not be greater than 10 years.

3.2.2.8.7. The community group will provide a minimum contribution generally more than 25% of the loan amount, ie. $50k contribution for a Loan of $200k. This contribution can be supported with the provision of in-kind support in the delivery of the project.

3.2.2.8.8. All capital projects must be consistent with any Masterplan or precinct plan as part of The Big Project (TBP) where it has been developed for the site.

3.2.2.9. Council assessment includes:

3.2.2.9.1. Review of the loan application and supporting information by Council officers,

3.2.2.9.2. Long term financial sustainability of the Council and precinct plans, including TBP plans and priorities,

3.2.2.9.3. The applicant's affordability, including not limited to: net financial liabilities, debt to income ratio, historical financial results and fundraising activity, net assets and cash position,

3.2.2.9.4. Loan application and assessments of the criteria, recovery of the debt and Council officer recommendations at a Council meeting.

3.2.2.10. Approved Community Loan arrangements will be governed in accordance with an agreed loan agreement between the parties and formal loan repayment.

3.3. Investments

3.3.1. 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 where practical. 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.

3.3.2. 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.

3.3.3. 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. This policy does not stipulate that the highest rate should be accepted, but that the investment which delivers the best value to Council should be selected.

3.3.4. Officers appointed under the Sub Delegation Register Section 48 may, from time to time, invest surplus funds in:

3.3.4.1. deposits with the Local Government Financing Authority; and/or

3.3.4.2. bank interest bearing deposits or investment accounts with Council's current banking service provider.

3.3.5. Any other investment(s) require the specific approval of Council.

3.4. Legislative Requirements

3.4.1. All investments are to be made in accordance with the provisions of the Local Government Act 1999, with particular regard to the following:

3.4.1.1. The purpose of the investment
3.4.1.2. The desirability of diversifying Council investments
3.4.1.3. The nature of and risk associated with existing Council investments
3.4.1.4. The desirability of maintaining the real value of the capital and income of the investment
3.4.1.5. The risk of capital or income loss or depreciation
3.4.1.6. The potential for capital appreciation
3.4.1.7. The likely income return and the timing of income return
3.4.1.8. The length of the term of a proposed investment
3.4.1.9. The period for which the investment is likely to be required
3.4.1.10. The liquidity and marketability of a proposed investment during, and on the determination of, the term of the investment
3.4.1.11. The aggregate value of the assets of the Council
3.4.1.12. The likelihood of inflation affecting the value of the proposed investment
3.4.1.13. The costs of making a proposed investment
3.4.1.14. The results of any review of existing Council investments.

3.5. Reporting

3.5.1. At least once a year, Council (through the Audit Committee) shall receive a specific report regarding Treasury Management performance relative to this policy document. The report shall highlight:

3.5.1.1. 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;

3.5.1.2. the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period;

3.5.1.3. For each Community Loan or Council Guarantee – the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and

3.5.1.4. Full details and explanation of any instances of deviation from this policy during the year.

4. Supporting Processes and Documents

4.1 Community Loan / Guarantor Application Package – Ref: 15/13439*

4.2 Community Loan Agreement – Ref: 21/63793*

5. Related Policies

5.1 Funding Policy – Ref: 15/28475*
5.2 Prudential Management Policy – Ref: 14/29402*
5.3 Budget and Business Plan (and Review) Policy – Ref: 14/36056*

6. Legislation and References

6.1. Local Government Act 1999
 6.1.1. Sections: 44, 47, 48, 121, 122, 123, 133, 134, 135, 136, 140
6.2. Local Government (Financial Management) Regulations 2011
 6.2.1. Part 2

7. Review

This Policy will be reviewed by [the Council / Document Control Officer] in consultation with the relevant stakeholders, within four (4) years or more frequently if legislation or Council's need changes.

8. Further Information

8.1. This Policy is available on Council's website at www.barossa.sa.gov.au. It can also be viewed electronically at Council's principal office at 43-51 Tanunda Road, Nuriootpa and all Council branches, during ordinary business hours. A copy of this Policy can be obtained at those venues upon payment of a fixed fee.

8.2. Complaints regarding this Policy or its application can be made to the Customer Service team on 8563 8444 or barossa@barossa.sa.gov.au at first instance, who will refer you to the most appropriate officer according to Council's *Customer Service Policy* (see clause 8.1 above for availability).

9. Document Control

Corporate Plan Link:		6.2 Ensure that Council's policy and process frameworks are based on principles of sound governance and meet legislative requirements.			
Document Owner:	Chief Executive Officer			**Document Control Officer:**	Manager Financial Services
Consultation Rating:	A	**Audience:**	External	**Next Review Date:**	21/06/2026

Version history

Version No.	Date	Description of Change
3.0	June 2022	Scheduled review
2.0	21/7/2015	Policy Review
1.0	20/10/2009	Policy Review

10.	Definitions

Employee	All full-time, part-time and casual employees of The Barossa Council including trainees, apprentices, and on-hire employees.
Electronic Document and Records Management System ("EDRMS")	An automated system used to manage the creation, use, management, storage and disposal of physical and electronic Documents and Records, for the purposes of supporting the creation, revision and management of digital Documents; improving Council's work-flow, and providing evidence of business activities.
Financial Sustainability	A Council's long term financial performance and position is sustainable where planned long term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.
Intergenerational Equity (or fairness)	Involves the costs associated with expenditure being spread over time in accordance with the distribution of the benefits that are generated. Hence, an equitable tax system is one under which the taxes paid by each generation is in proportion to the benefits that generation receives from Government spending. It is commensurate with spreading costs in relation to the pattern of benefits over time so that one generation is not excessively subsidising another generation.
Key Performance Indicators	Key Performance Indicators also known as Financial Performance Indicators and associated targets have been developed both in the public and private sectors to assist organisations and others who are interested in an entity's financial performance, to understand the messages that its financial statements contain and help guide revenue and expenditure decisions and overall budget strategies.
LGFA	Local Government Finance Authority (LGFA) – A Government guaranteed statutory authority established for the benefit of councils and other Prescribed Local Government Bodies within the State.
Net Financial Liabilities Ratio	Net financial liabilities equals total liabilities less financial assets (excluding equity accounted investments in Council businesses). 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.
Officer	An Officer of Council is a person employed pursuant to an employment contract and or engaged under a relevant industrial instrument such as the relevant enterprise agreement.
Reserves	Councils may use 'reserve accounting' as a useful means of recognising and planning for future proposals. A Council may therefore establish various equity accounts (or 'reserves') within its balance sheet to identify an allocation for future purposes. Reserves are not cash backed unless required by legislation or agreement with other parties.
Surplus Funds	Funds over and above a level which is required to meet Council's immediate working capital requirements.
Community Groups	Includes Community and Sporting clubs, organisations
Treasury Management	The management of Council cash, investments, Reserves, borrowings and other financing mechanisms.