

Treasury Management Policy

Policy Number	F16
Responsible Officer(s)	Chief Executive Officer Manager Finance
Policy Adopted	August 2008
Last revised date	July 2022
Minutes reference	2022/07-10
Next review date	July 2026
Applicable Legislation	<i>Local Government Act 1999; Local Government (Financial Management) Regulations 1999</i>

1. POLICY PRINCIPLE

Wakefield Regional Council is committed to operating in a financially sustainable manner.

2. POLICY OBJECTIVE

- To provide clear direction to management, staff and Council in relation to the treasury function.
- To underpin Council's decision-making regarding the financing of its operations in its annual budget and Long Term Financial Plan.
- To establish a decision-making framework to ensure funds are available to support approved outlays; interest rate and other risks (e.g. 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. POLICY DETAIL

3.1 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) and in line with the directions set out in Council's Strategic Management Plan and scheduled works in the Infrastructure and Asset Management Plans.

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

- maintain target range for its Net Financial Liabilities ratio;
- not retain and quarantine money in reserves 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; and
- 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.

3.2 Borrowings

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.

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. The mixture of loans to be budgeted at the end of each financial year target is to be approximately 25% to 50% fixed term loans to 50% to 75% variable interest borrowings. Combination of fixed and variable loan will be determined each year as per financial market conditions.

3.2.1 Fixed Interest Rate Borrowings

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 that:

- have a fixed interest rate;
- term of loan shall be determined according to available interest rates and Council's borrowing situation;
- and have an option to either repay the full amount of principal to be repaid or rolled over at maturity date.

Council also will ensure where possible that no more than 25% of its fixed interest rate borrowings mature and/or new loans are established in any year.

3.2.2 Variable Interest Rate Borrowings

Council will establish, and make use of, a variable interest rate borrowing facility / LGFA Cash Advance Debenture facility that requires interest payments only and that enables any amount of principal to be repaid or redrawn at call (daily). The redraw facility will provide Council with access to

3.3 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 which 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 Local Government Finance Authority; and/or
- capital guaranteed bank interest bearing deposits.

Any other investment requires the specific prior approval of Council

3.3 Reporting

At least once a year Council and the Audit Committee shall receive a specific report regarding treasury management performance relative to this policy document.

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 this period.

4. REVIEW

This Policy shall be reviewed every 48 months, or more frequently if required by legislation or Council.

Document history:

Version	Adopted	Description of Change
1.0	Aug 2008 - Min 42	New document
	November 2014	Policy numbering system changed and inclusion of this document history table.
2.0	March 2016 - Min 203	Policy objectives included. Additional paragraph referring to fixed and variable loans.
3.0	July 2018	New template. Minor wording changes and changes to reflect LG KPIs and remove information no longer relevant.
4.0	July 2022	Changed the combination of fixed term loans and variable term loans from 50% fixed and 50% variable rate to 25% to 50% fixed and 50% to 75% variable loans. Changed term of fixed term loan from 3 years to market conditions and Council's borrowing position. Minor wording change.