TREASURY MANAGEMENT POLICY

TITLE	TREASURY MANAGEMENT POLICY
RESPONSIBLE PERSON	MANAGER FINANCE
APPROVED BY COUNCIL	15 APRIL 2025
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1. POLICY STATEMENTS

1.1 The Treasury Management Policy (the policy) outlines the risks associated with treasury management and provides a framework that allows the Finance Department to manage those risks whilst minimising the cost of borrowings and maximising returns on surplus funds.

1.2 The policy outlines how required borrowings will be raised and how cash and investments will be managed to fund Council operations.

1.3 The policy ensures that all of Council's bank instruments and authorities are appropriately authorised and signed by authorised Council Officers.

2. DEFINITIONS

2.1 Credit Rating

A credit rating is an evaluation of the credit risk of an institution, predicting their ability to pay back debt, and an implicit forecast of the likelihood of the debtor defaulting.

The credit rating represents an evaluation by a credit rating agency of the qualitative and quantitative information for a prospective debtor, including information provided by the prospective debtor and other non-public information obtained by the credit rating agency's analysts.

2.2 Credit Risk

Credit risk is the risk of potential loss associated from default or insolvency of a financial institution. The Council's credit risk arises from transactions entered into with financial institutions.

2.3 Funding Risk

Funding risk is the risk that Council has not, or is unable to arrange, adequate debt finance to fund future financial commitments.

2.4 Interest Rate Risk

Interest rate risk is the impact of volatility in net interest income / expense on the financial position of Council.

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2.5 Leverage Risk

Leverage risk is the risk that Council use borrowed capital to invest, which can increase potential returns but also increase the risk of loss.

2.6 Liquidity Risk

Liquidity risk is the risk that Council does not have access to sufficient available funds to enable it to make all payments as they become due.

2.7 Maturity Risk

Maturity risk is the risk associated with the length of time until an investment or borrowing matures. The longer the time until maturity, the greater the maturity risk.

2.8 Refinancing Risk

Refinancing risk is the inability to rollover existing facilities as they mature.

3. OBJECTIVE

3.1 The objective of the policy is to set the principles and criteria with regards to Council's treasury (cash) management in the context of its Strategic Plan, Annual Plan, Financial Management Strategy (FMS), Long Term Financial Plan (LTFP) and Annual Budget with its associated projected cash receipts and expenditure.

4. SCOPE

4.1 The policy will apply to all bank accounts, investment funds and loan funds controlled by Council and administered through the Finance Department.

4.2 The policy does not apply to investments in associates.

5. GUIDELINES

5.1 Council should always conduct its treasury management in accordance with the following legislative guidelines.

5.1.1 Funds for Investment
Investments of Council's funds are to be in accordance with Council's power of investment under:

i. *Local Government Act 1993* - Section 75.

ii. *The Trustee Amendment (Investment Powers) Act 1997*

5.1.2 Borrowing of Funds
Borrowings by Council will be in accordance with the following:

i. *Local Government Act 1993 - Section 78-80.*

6. ETHICS AND CONFLICT OF INTEREST

6.1 In accordance with Council's *External Activities Conflict of Interest Policy*, Council Officers must avoid personal activities that could conflict with the effective management of the borrowing and investment portfolio.

Council Officers are required to disclose any conflicts of interest to the General Manager.

Independent advisors, if engaged, must also confirm the absence of actual or perceived conflicts of interest.

7. PRUDENT PERSONS OF BUSINESS

7.1 Council Officers must exercise due care, diligence, and skill in making borrowings and investments, adhering to acceptable risk tolerance levels. The borrowing and investment portfolio should be managed to safeguard its value, in line with the principles of the policy, and not for speculative purposes.

8. PROCEDURE (POLICY DETAIL)

8.1 Risk Management

Council's treasury management should be made with consideration to the below risks and management of these risks.

8.1.1 Credit Risk

Objective: To manage the overall level of credit exposure to individual financial institutions to acceptable levels of credit risk through institutional selection and diversification.

Management: Bank deposits must be invested within the allocation constraints outlined in the Investment Guidelines section (8.2.1 iii).

Prior to any bank deposit transaction being placed, the current exposure to a counterparty must be checked to ensure the new transaction will not result in a breach of the policy.

8.1.2 Funding and Refinancing Risk

Objective: To ensure the Council can obtain new borrowings and roll over existing borrowings to meet its financial requirements in a timely manner.

Management: The LTFP will identify the need for borrowings, while the Annual Plan will detail the amount required during the financial year.

The General Manager is required to develop and maintain management procedures relating to borrowing facilities.

The General Manager is to identify annual borrowing requirements with Treasury in the annual Treasury Loan Council Allocation Survey. The Treasurer is to approve Council's request prior to any borrowings.

8.1.3 Interest Rate and Maturity Risk

Objective: To monitor and manage interest income and expense volatility and to control the financial uncertainties associated with the time to maturity of investments and borrowings.

Management: Council manages these risks on deposits by investing in short-term maturities outlined in the Investment Guidelines section (8.2.1 i).

Council will seek to minimise these risks on borrowings by considering the time to maturity of borrowings.

The maturity profile of Council's investment and borrowing portfolio should enable Council to meet planned future cash flow requirements as reflected in the Annual Budget and the LTFP. Council manages its maturity risk by proactively planning for the timing of cashflows, ensuring that financial obligations align with available liquidity, and strategically balancing short, medium, and long-term financial needs.

8.1.4 Leverage Risk

Objective: To manage and assess the potential financial risk that arises from using leverage (borrowed capital) in investments.

Management: Investments with exposure to leverage risk are not to be entered into.

8.1.5 Liquidity Risk

Objective: To ensure the Council has the financial flexibility to meet all financial obligations as they fall due with surplus cash held specifically for this reason.

Management: The Council will hold a minimum level of liquidity in cash or cash equivalents in line with its Cash Management Strategy which forms part of the FMS.

8.2 Investment Guidelines

8.2.1 Council's Direct Investments

Council may deposit funds with any Commonwealth, State or Financial Institution under the guidelines as prescribed below.

i. Term to Maturity
The term to maturity of any of Council's direct investments may range from "at call" to 1 Year.

ii. Quotations on Investments
Not less than three quotations shall be obtained from Financial Institutions whenever an investment is proposed. The best quote will be successful after allowing for administrative and banking costs, as well as having regard to the limits set in the policy.

iii. Credit Rating
Except for investments for which the principal and interest are guaranteed by the Federal Government or a State Government, the following credit and institutional framework limits apply:

Short Term Rating (S&P Global)	Long Term Rating (S&P Global)	Credit Rating Maximum Percentage of Total Investment	Financial Institution Maximum Percentage of Total Investment
A1+	AAA to AA-	100%	80%
A1	A+ to A-	100%	50%
A2	BBB+ to BBB	50%	25%

If any of the financial institutions are downgraded such that they are no longer in accordance with the policy, they will be divested as soon as practicable, and in any case within 60 days of Council becoming aware of the downgrade.

The credit rating definitions within the policy are the criteria given by S&P Global and are as follows:

Short Term Rating	Definition
A1+	Extremely strong capacity to meet its financial commitments
A1	A strong capacity to meet its financial commitments
A2	A satisfactory capacity to meet its financial commitments

Long Term Rating	Definition
AAA to AA-	Extremely to very strong capacity to meet its financial commitments
A+ to A-	A strong capacity to meet its financial commitments
BBB+ to BBB-	An adequate capacity to meet its financial commitments

Appendix 1: S&P Global Ratings Definitions

In a situation, where there is a discrepancy between the short and long term credit rating, the short term credit rating limit will apply.

If an investment of Council's does not have an S&P Global credit rating, an equivalent credit rating from a different rating agency will be assessed (e.g. Moody's or Fitch ratings)

iv. Cap
The maximum amount to be invested is three million dollars ($3,000,000).

v. Prohibited Investments
Investments outside of the investment guidelines contained within the policy, must be referred to Council for prior approval.

8.2.2 Investment Reporting

A report on the performance of each investment shall when practicable form part of the monthly financial report presented to Council. The Audit Panel will receive the most recent report at each Audit Panel meeting.

The monthly investment report should provide details of all the investments held at the end of the month, including the following:

- The financial institution and credit rating
- The investment type
- The deposit date and maturity date
- The investments market value
- The expected return (e.g. interest rate)

The monthly investment report should also provide the following details:

- Investments which matured during the month and were not reinvested
- New investments which were entered into during the month
- Short term credit rating percentage of total investment
- Financial institution percentage of total investment

8.3 Borrowing Guidelines

8.3.1 Council's Borrowings

Council manages its income and expenditure to ensure there is sufficient cash to service its operating requirements. Borrowings can be utilised to fund significant capital projects and should be repaid over a defined period.

i. Borrowing Terms
In undertaking borrowings Council will consider the period over which the funds are required and the potential future movements in interest rates in determining the loan term. Council recognises the importance of balancing risk management and costs and in an effort to minimise both risk and interest cost, may utilise various borrowing mechanisms including:

- Fixed interest borrowings (including credit foncier and interest only)
- Variable interest borrowings (including cash advances and long-term interest only)

ii. Borrowing Approval

Where borrowings are required, prior to any borrowing, a report will be prepared for Council's approval, highlighting the following:

- The reason behind the need for the borrowings
- The level of borrowings required
- Council's overall borrowing maturity profile and mix
- An assessment of future interest rate movements
- The period over which cash is likely to be required and subsequently repaid

- Cost of the borrowings
- Department of Treasury and Finance Local Government Loans Program approval

8.3.2 Borrowing Reporting

A report on each borrowing shall when practicable form part of the monthly financial report presented to Council. The Audit Panel will receive the most recent report at each Audit Panel meeting

The monthly borrowing report should provide details of all the borrowings held at the end of the month, including the following:

- The financial institution
- The borrowing type
- The commencement date and maturity date
- The borrowing market value.
- The borrowing rate

8.4 Signatories Guidelines

8.4.1 Refer instrument of delegation local government act.

9. Financial Advisor

9.1 Should Council engage a financial advisor, the advisor must be approved by the General Manager and licensed by the Australian Securities Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended and, be free to choose the most appropriate product within the terms and conditions of the policy. The independent advisor is required to provide written confirmation that they do not have any actual or potential conflicts of interest in relation to the investments they are recommending or reviewing, including that they are not receiving any commissions or other benefits in relation to the investments products being recommended or reviewed.

10. Policy Variations

10.1 The General Manager is authorised to approve temporary variations to the policy in exceptional circumstances for investments only, if the investment is to Council's advantage and/or also due to revised legislation. Such variation will be reported to Council and the Audit Panel, as soon as practicable. Any major variations to the policy will be submitted to Council for approval.

11. LEGISLATION

11.1 Local Government Act 1993.

11.2 The Trustee Amendment (Investment Powers) Act 1997.

Robert Higgins

GENERAL MANAGER

Appendix 1: S&P Global Ratings Definitions

1. Long-Term Issuer Credit Ratings

Table 3

Long-Term Issuer Credit Ratings*

Category	Definition
AAA	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P Global Ratings.
AA	An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
A	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
BBB	An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
BB, B, CCC, and CC	Obligors rated 'BB', 'B', 'CCC', and 'CC' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BB	An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions

	that could lead to the obligor's inadequate capacity to meet its financial commitments.
B	An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
CCC	An obligor rated 'CCC' is currently vulnerable and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
CC	An obligor rated 'CC' is currently highly vulnerable. The 'CC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

2. Short-Term Issuer Credit Ratings

Table 4

Short-Term Issuer Credit Ratings

Category	Definition
A-1	An obligor rated 'A-1' has strong capacity to meet its financial commitments. It is rated in the highest category by S&P Global Ratings. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong.
A-2	An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.
A-3	An obligor rated 'A-3' has adequate capacity to meet its financial obligations. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
B	An obligor rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.
C	An obligor rated 'C' is currently vulnerable to nonpayment that would result in an 'SD' or 'D' issuer rating and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.