

1. Introduction

This Policy provides clear direction to management, staff, and Council in relation to the treasury function. It underpins decision-making regarding the financing of Council operations in the annual budget and long-term financial plan, along with associated projected and actual cash flow receipts and outlays.

Council is committed to operating in a financially sustainable manner and maintains a Long-Term Financial Plan (updated at least annually) to assist in determining affordable service levels and revenue-raising needs. This plan also provides projections of future cash-flow availability and needs.

All investments and borrowings are to be made with care, diligence, and skill, as would be expected from a prudent person of business managing others' affairs.

2. Policy Objectives

2.1 The Treasury Management Policy establishes a decision framework to ensure that:

2.1.1 Funds are available as required to support approved outlays.

2.1.2 Interest rate and other risks (e.g., liquidity and investment credit risks) are acknowledged and responsibly managed.

2.1.3 The net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

2.1.4 Staff and Council Members ensure that any borrowings and/or investments made by Council do not give rise to a conflict of interest. Any potential or perceived conflicts of interest must be declared.

3. Treasury Management Strategy

3.1 Operating and capital expenditure decisions are made based on:

3.1.1 Identified community need and benefit relative to other expenditure options.

3.1.2 Cost-effectiveness of the proposed means of service delivery.

3.1.3 Affordability of proposals having regard to Council's long-term financial sustainability, considering the cost of capital and the impact on Council's **Net Financial Liabilities**.

4. Interest Rate Risk Exposures

4.1 Council, through this policy, sets 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.

Fixed Interest Rate Borrowings:

Council will aim to maintain at least 30% of gross debt in fixed interest rate borrowings each year. A variety of maturity dates will be used to spread exposure to interest rate movements.

Variable Interest Rate Borrowings:

At least 30% of gross debt will be maintained as variable interest rate borrowings, utilising the LGFA Cash Advance Debenture facility. This provides liquidity when needed and allows repayment or redrawing at call.

- 4.2** When borrowing conditions fall outside established ranges, any new borrowings will be presented to the Audit & Risk Committee for review.

5. Investments

- 5.1** Council funds not immediately required for operational needs, and which cannot be applied to reduce or avoid borrowings will be invested.
- 5.2** Investments will be lodged either "at call" or for a fixed term, considering maturity dates and interest rates.
- 5.3** Council management may invest surplus funds in the following low-risk options:
- Deposits with the LGFA (liabilities guaranteed by the State Government Treasurer under Section 24 of the Local Government Finance Authority Act 1983).
 - Bank interest-bearing deposits.

6. Reporting

- 6.1** At least once per year, Council and its Audit & Risk Committee shall receive a report on treasury management performance relative to this Policy.
- 6.2** This will include:
- Details on the quantum of borrowings and investments, interest rates, and maturity changes.
 - The proportion of fixed vs. variable interest rate borrowings, with explanations for any significant variances.
 - Comparison between budgeted and actual borrowings at the end of the financial year.

7. Definitions

Credit Foncier Borrowings: Borrowings for a fixed period with regular repayments, where each repayment includes components of both principal and interest. By the end of the period, the principal is entirely repaid.

Financial Sustainability: 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.

Net Financial Liabilities: Equals total liabilities less financial assets, excluding equity held in Council businesses, inventories, and land held for resale.

Interest Cover Ratio: Indicates the extent to which Council's operating revenues are committed to interest expenses.

Net Financial Liabilities Ratio: Indicates the extent to which net financial liabilities could be met by Council's operating revenue.

Operating Expenses: Operating expenses include depreciation but exclude losses on the disposal of non-financial assets.

8. Further Information

This policy is available for inspection at the District Council of Cleve principal office, 10 Main Street, Cleve SA 5640, during ordinary business hours.

Hard copies are available upon request and payment of a fee fixed in accordance with Council's Fees & Charges. It is also available to be downloaded, free of charge, from Council's Website www.cleve.sa.gov.au

Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.

Responsible Department/Officer	Manager Corporate Services
Applicable Legislation	Local Government Act 1999 Local Government (Financial Management) Regulations 2026
Related Policies	Budget Management Policy
Related Procedures	

9. Policy/Document Review

Although not mandatory to do so, this Policy will be reviewed within 12 months of a general election. It may also be reviewed more frequently if legislation or Council require.

10. Document History

Version	Adopted	Description of Change
1-5		Historical
6.1	18 March 2025	Re-write including clarification regarding investments, reporting establishing
6.2	22 September 2026	Minor Updates