

TREASURY

MANAGEMENT POLICY | PUBLIC VERSION



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1 INTRODUCTION

This policy provides clear direction to management, staff and the Authority in relation to the treasury function. It underpins the Authority's decision-making regarding the financing of its operations as documented in its annual budget and long-term financial plan and associated projected and actual cash flow receipts and outlays.

The Authority is committed to adopting and maintaining a long term financial plan and operating in a financially sustainable manner.

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.

2 POLICY OBJECTIVES

This Treasury Management Policy establishes a decision 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.

3 POLICY STATEMENTS

Treasury Management Policy

The Authority's operating and capital expenditure decisions are made on the basis of:

- identified stakeholder need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and,
- affordability of proposals having regard to the Authority's long term financial sustainability, including consideration of the cost of capital.

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

- not retain and quarantine money 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;
- 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.

Interest Rate Risk Exposure

The Authority 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.

Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, the Authority will structure its portfolio of borrowings to progressively achieve and thereafter maintain on average in any year not less than 30% of its gross debt in the form of fixed interest rate borrowings.

In circumstances where the Authority needs to raise new fixed interest rate borrowings it will consider using medium to long-term borrowings (3 years or more duration) that:

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

The Authority also will ensure that no more than 30% of its fixed interest rate borrowings mature in any year.

Variable Interest Rate Borrowings

The Authority will structure its portfolio of borrowings 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.

Investments

The Authority's 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.

The Authority's 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 the Authority's variable interest rate borrowing facility. Investments fixed for a period greater than 12 months are to be approved by the Constituent Councils.

When investing funds the Authority will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

The Authority may from time to time invest surplus funds in:

- deposits with the Local Government Finance Authority; and/or
- bank interest bearing deposits.

Any other investment requires the specific approval of the Constituent Councils. Where the Constituent Councils authorise 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 the Authority over the duration of the specific authorised investments.

4 RELEVANT LEGISLATIONS

For Borrowings

- Local Government Act, 1999
 - Section 122
 - Section 134
- Regulations 5 and 5B of the Financial Management Regulations under the Act
- Adelaide Hills Region Waste Management Authority Charter Section 1.6

For Investments

- Local Government Act, 1999
 - Section 139
 - Section 140

5 REVIEW

This Policy shall be reviewed and approved by the Board every four years or more frequently if required.