Treasury Management Policy

Council Policy

Renmark Paringa Council

Responsible Officer	Director of Corporate and Community Services
Relevant Legislation	Local Government Act 1999 Section(s) 44,47,122,134,139,140
Adopted	April 2016
Reviewed	April 2026
Next Review	April 2030

Purpose

1. The purpose of this Treasury Management Policy (TMP) is to provide a clear and robust framework for the management of Renmark Paringa Council's borrowings, investments, and liquidity. The policy supports informed decision-making, sound financial risk management, legislative compliance, and the long-term financial sustainability of Council.

Scope

2. This policy applies to all treasury-related decisions and activities of Renmark Paringa Council, including borrowings, investments, cash management, and related reporting. It informs the preparation and monitoring of Council's:
   - Long-Term Financial Plan (LTFP)
   - Annual Business Plan and Budget
   - Budget reviews
   - Strategic Asset Management Plans
   - Treasury and financial sustainability reporting

Objective

3. This policy establishes a decision-making framework to ensure that:

- Sufficient funds are available to meet approved expenditure commitments;
- Liquidity, interest rate, credit, and refinancing risks are identified and responsibly managed;
- Net interest costs associated with borrowing and investing are minimised on average over the long term;
- Borrowing and investment decisions support Council's financial sustainability and growth objectives.

Policy

Policy Statement

Council manages its treasury position holistically and in alignment with its broader financial strategies and sustainability targets. In doing so, Council commits to the following principles:

4.1 Purpose of Borrowings
Council borrowings are undertaken solely to:

- Fund new or major capital projects that deliver long-term community benefit; and
- Spread the cost of major infrastructure over future generations who will benefit from those assets; and
- Support growth within the Renmark Paringa Council area, including infrastructure to support new housing, population growth, and associated infrastructure development.

Borrowings will not be used to:

- Fund operating deficits or recurrent expenditure;
- Fund routine asset renewals, maintenance, or lifecycle replacement activities;
- Substitute for sustainable operating revenues.

All borrowing decisions must be consistent with Council's Long-Term Financial Plan and adopted strategic priorities.

4.2 Intergenerational Equity

Council recognises the principle of intergenerational equity, acknowledging that long life assets provide benefit to the community over extended periods of time. Funding approaches, including borrowing where appropriate, may be considered to support a fair distribution of costs between current and future beneficiaries, having regard to financial sustainability, affordability and risk.

4.3 Financial Sustainability and Key Performance Indicators

Council will manage its treasury activities to remain within its adopted financial sustainability targets. In particular, Council will:

- Maintain its Net Financial Liabilities (NFL) ratio within a target range of 20% to 100%;
- Consider the impact of all borrowing and investment decisions on the NFL ratio over the medium to long term;
- Ensure treasury decisions are consistent with the modelling and assumptions in the LTFP.

Roles and Responsibilities

5.1 Council

Council is responsible for:

- Approving all new borrowing facilities;
- Approving any investment types not explicitly permitted under this policy;
- Reviewing treasury performance and compliance through regular reporting.

5.2 Audit and Risk Committee (ARC)

The Audit and Risk Committee is responsible for:

- Reviewing proposed borrowings prior to Council approval;
- Receiving and considering annual treasury performance reports;
- Providing advice to Council on treasury-related risks and compliance.

5.3 Chief Executive Officer

The Chief Executive Officer is responsible for:

- Ensuring compliance with this policy;
- Overseeing implementation and performance of treasury activities;
- Ensuring appropriate reporting to ARC and Council.

5.4 Director Corporate and Community Services

The Director Corporate and Community Services is responsible for:

- providing strategic oversight of Council's treasury management activities;
- ensuring treasury management practices align with Council's Long-Term Financial Plan, Annual Business Plan and broader financial sustainability objectives;
- reviewing and endorsing treasury management recommendations prior to submission to the Chief Executive Officer, Audit and Risk Committee and Council;
- supporting organisational compliance with this policy and relevant legislation;
- monitoring strategic treasury risks and ensuring appropriate governance controls are maintained.

5.5 Manager Financial Services

The Manager Financial Services is responsible for:

- Day-to-day management of Council's liquidity, borrowings, and investments;
- Making recommendations to the CEO, ARC, and Council;
- Ensuring treasury risks are managed in accordance with this policy;
- Maintaining appropriate systems and controls.

Borrowings

6.1 General Principles

Borrowings are not a source of income and do not replace the need for Council to generate sufficient operating surpluses to fund day-to-day services. Borrowings create both an asset (cash) and a liability (repayment obligation) and must be managed prudently having regard to long-term financial sustainability and community benefit.

Council will not prescribe fixed proportions of fixed or variable interest rate borrowings. Instead, Council will manage its loan portfolio having regard to:

- Interest rate risk;
- Debt maturity profile and refinancing exposure;
- Flexibility and liquidity needs;
- Relative cost differentials between borrowing options;
- Cost effectiveness;
- Overall financial sustainability and NFL ratio outcomes; and
- The long-term community benefit of borrowing decisions.

Operational drawdowns, redraws and repayments within an existing Council-approved borrowing facility may be undertaken by administration in accordance with Council delegations, adopted budgets, the Long-Term Financial Plan and internal financial controls.

Council will maintain sufficient liquidity to meet its operational and capital commitments as they fall due. Regular cash flow forecasting and monitoring will be undertaken to support treasury decision-making and ensure Council can meet approved expenditure commitments.

6.2 Approval Process for New Borrowings

The process for entering into new borrowing facilities is as follows:

- Manager Financial Services prepares a borrowing proposal, including the purpose, assessment of community benefit, amount, term, cost, repayment source, affordability, risks, sensitivity analysis where appropriate, and impact on the Long-Term Financial Plan, Net Financial Liabilities ratio, future operating result and debt servicing capacity;
- The proposal is reviewed and supported by the Director Corporate and Community Services;
- The proposal is reviewed and endorsed by the Chief Executive Officer;
- The proposal is submitted to the Audit and Risk Committee for review and advice;

- Final approval is required by Council resolution;
- No borrowing facility may be entered into without Council approval.

Where a proposed borrowing relates to a project or decision that triggers prudential requirements under the Local Government Act 1999, Council will ensure the relevant prudential management requirements are met prior to entering into the borrowing arrangement.

6.3 Community Group Borrowings Facilitated by Council

Where Council facilitates borrowing arrangements on behalf of community groups:

- Applications must be made formally in writing and include financial statements, repayment capacity, and purpose;
- A full risk and financial assessment will be undertaken by management;
- All such arrangements require recommendation by the Audit and Risk Committee and approval by Council;
- Any facilitated borrowing must be legally documented and structured to protect Council from undue financial risk. Consideration must also be given to the potential impact of the loan on Councils borrowing capacity.

Investments

7.1 Permitted Investments

Council funds not immediately required for operational needs, and which cannot be applied to reduce or defer borrowings, may be invested in:

- Deposits (including term deposits) with the Local Government Finance Authority (LGFA);
- Bank interest-bearing deposits.

Any other form of investment requires explicit Council approval.

7.2 Ownership of Investments

All investments must be held solely in the legal name of Renmark Paringa Council. Investments held in trust for, or in the name of, third parties are not permitted under this policy.

7.3 Investment Attribution to Specific Projects

Where investment funds are held for interest attribution against a specific project:

- The principal funds will form part of Council's overall cash position;
- Notional interest earnings may be internally allocated to the relevant project or reserve for reporting and accountability purposes;
- Separate bank accounts will not be established unless required by legislation or external agreement;

- The methodology for interest attribution will be documented and applied consistently.

7.4 Approval Process for Investments Not Otherwise Permitted Under This Policy

The process for entering into investment arrangements not otherwise permitted under this policy is as follows:

- Manager Financial Services prepares an investment proposal, including the purpose, investment type, expected return, liquidity considerations, risks, legislative compliance requirements and impact on Council's overall financial position and treasury risk profile;
- The proposal is reviewed and supported by the Director Corporate and Community Services;
- The proposal is reviewed and endorsed by the Chief Executive Officer;
- The proposal is submitted to the Audit and Risk Committee for review and advice;
- Final approval is required by Council resolution; and
- No investment arrangement outside those expressly permitted under this policy may be entered into without Council approval.

KPI's, Reporting and Performance Monitoring

Treasury performance, borrowing positions, investment balances and compliance with this policy will be monitored through Council's regular financial reporting processes.

8.1 Key Performance Indicators (KPI's)

Operating surplus ratio

This ratio provides a measure of Council's ability to cover operating expenses and have revenues available for capital funding, repayment of debt or consider the provision of new services.

Operating Surplus Ratio is calculated by Operating Surplus (Deficit) divided by operating revenue from the statement of comprehensive income.

Council's target over the life of its Long Term Financial Plan is to achieve an average between 0-4%.

Asset Renewal Funding Ratio

This ratio provides a measure of Council's ability to renew/replace its assets in line with the levels proposed in its adopted Integrated Asset Management Plan.

This ratio is calculated by Expenditure on renewal/replacement of assets less sales of replaced assets divided by the optimal level of expenditure proposed in Council's Infrastructure Asset Management Plan.

Council's target over the life of its Long Term Financial Plan is to achieve an average between 90-110%.

Net Financial Liabilities Ratio

This ratio provides a measure of Council's ability to meet its long-term financial obligations including debt repayments relative to its revenue.

This ratio is calculated by Total liabilities (less cash and cash equivalents) divided by Total Operating revenue excluding Landscape levy.

Council's target over the life of its Long Term Financial Plan is to achieve an average between 20-100%.

8.2 Annual Treasury Management Report

Administration will prepare an annual Treasury Management Performance Report, which will include:

- Performance of bank deposits and term investments;
- Performance and balances of LGFA investment accounts;
- Loan balances, movements, interest costs, and maturity profiles;
- Any investments entered into during the period;
- Details of LGFA special distributions received;
- Compliance with this policy, including performance against the NFL ratio target of 20%–100% including any deviations and corrective actions.

8.3 Governance and Oversight

Council will maintain an up-to-date loan register detailing all borrowings, including loan purpose, term, interest rate structure, maturity profile and outstanding balances.

The annual Treasury Management Performance Report will:

- Include a summary of Council's loan portfolio and loan register;
- Be tabled with the Audit and Risk Committee for review;
- Be presented to Council for consideration and noting; and
- Form part of Council's broader financial governance and sustainability reporting.

Review

This policy will be reviewed at least every four years or earlier if required due to legislative changes, material changes in Council's financial position, or emerging treasury-related risks.

Document Control

Version #	Approval Date	Approved by	Amendment
Unknown	April 2016		
Unknown	September 2021		

3.0	7 September 2023	Audit & Risk Committee	Title updated. 4.– The report shall be presented annually
4.0	May 2026	Council	Comprehensively re-written policy.