

TREASURY POLICY

1. PURPOSE

The purpose of this policy is to underpin Council's decision-making in the financing of its operations in the context of the Annual Budget, Long-Term Financial Plan, Cash Flow, Borrowings and Investments. It is an important financial management tool in the management of Council's financial position.

The policy guides how Council will consider requests from community groups and sporting clubs with a current lease with Council, for Council to loan funds or be a guarantor for a loan for the groups.

2. POLICY

2.1 Treasury Management

The Treasury Policy provides clear direction in relation to the treasury function and establishes a decision framework that:

- Ensures funds are available as required to support approved outlays, while ensuring that interest rate and other risks (e.g. liquidity risks and investment credit risks) are acknowledged and responsibly managed;
- Is reasonably likely to minimise on average over the longer term, the net interest costs associated with borrowing and investing
- Ensures that outstanding debt is repaid as quickly as possible and therefore that the gross level of debt held by Council is minimised.

2.2 Loans/Loan Guarantor for Community Groups

Council values and recognises the role of community groups and sporting clubs within the Council boundaries and endeavour to support them in a variety of ways. The Treasury Policy provides clear direction about the ability to consider community loans and being a guarantor to a loan for a community group. The group applying for a loan will be required to be a current leaseholder with the Council.

At a time that a community group approaches Council for financial support the Council may agree to:

- Act as a guarantor for the organisation
- Loan the organisation the funding for a specific period of time

2.2.1 Other Funding Options

The offering of loans or loan guarantees to community groups will only be considered after all other funding options have been fully exhausted and compliance with the requirements of this policy has been met. These other funding options include:

- Government Grants
- Sponsorship
- Fundraising
- Application for credit from a leading institution

Supporting evidence will be required to show the other funding options have been exhausted.

2.2.2 Eligibility Criteria

- Be a current leaseholder with the Council, with all lease requirements being met
- Be an Incorporated association and a not-for-profit organisation
- Deliver projects and outcomes for the City of Tea Tree Gully Council
- Be financially viable and be able to demonstrate the capacity to successfully manage loan repayments through developing and maintaining appropriate business plans and budgets.
- Provide evidence that the application is approved by the group's governing committee (eg. Meeting minutes)

The loan repayment period will not exceed 10 years.

The value of the community loans will be for a minimum of \$10,000 and the cumulative total not exceed \$200,000. The Council will allocate loans/loan guarantees to a combined maximum value of \$2 million at any one time to ensure the financial sustainability of the Council can be maintained.

Interest will be incurred at the current rate of the LGFA Cash Advance Debenture (CAD) plus a 4% margin.

2.2.3 Conditions of Application and Offer

Application must be received in writing in prescribed format for the Council to consider.

Approved Community Loans will be governed in accordance with an agreed Loan Agreement between the parties. These Loan Agreements will include formal loan repayments terms. Any costs incurred in the drafting of a loan agreement will be borne by the community group.

2.2.4 Delegation

Section 44(3)(c) of the Act provides that a council cannot delegate the power to borrow money or obtain other forms of financial accommodation and as such each request received for a loan/loan guarantee would go to Council for approval.

The Chief Executive Officer has the delegation to:

- Approve, amend and review any procedures that shall be consistent with this Policy; and
- Make any formatting or minor changes required to the Policy during the period of its currency.

3. DEFINITIONS

For the purposes of this policy the following definitions apply:

Treasury Functions

Functions that are intended to be included under this policy e.g. borrowings, investments and management of cash flow, debt and investments.

Local Government Finance Authority (LGFA)

A government guaranteed statutory authority established for the benefit of councils and other Prescribed Local Government Bodies within the State.

Community Loans

Support loans made by Council to community groups and sporting organisations to self fund infrastructure projects.

Community Groups

Includes incorporated Community and Sporting clubs and organisations within the City of Tea Tree Gully.

4. LEGISLATIVE FRAMEWORK

4.1 Legislation

There is no legislative requirement for Council to have a policy relating to this area.

[Local Government Act 1999](#)

Section 44 of this Act enables Council to delegate its treasury functions and powers under the Act with the exception of the following powers which cannot be delegated:

- The power to borrow money or to obtain other forms of financial accommodation
- The power to adopt or revise a budget of the Council

- The power to approve expenditure of money on works, services or operations of the Council not contained in a budget adopted by the Council.

Section 44(3)(c) provides that a decision to borrow must be approved by Council.

Section 47 of this Act prohibits Council from directly acquiring shares in a company, however, does not preclude Council from investing money in managed funds, which invest in shares.

Section 48 of this Act requires Council to gather and analyse certain prudential information in relation to major projects.

Section 121 of this Act protects Council employees from civil liability for an honest act, or omission, in the exercise of their duties.

Sections 122 and 123 of this Act provides that Council must have Strategic Plans, an Annual Business Plan, Annual Budget and Asset and Infrastructure Management Plans, and Long-Term Financial Plans. This requires a level of forward planning in relation to the management of Council's funds.

Sections 133 and 134 of this Act provides that Council can:

- Obtain funds from a range of sources, including taxation and borrowing, appropriate to Council carrying out its functions (a very broad power)
- Borrow funds and enter into arrangements to protect against adverse interest rate movements on borrowings.

Section 139 of this Act:

- Empowers Council to invest money and requires that Council:
- Exercises the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons
- Avoids investments that are speculative or hazardous in nature
- Without limiting the matters that a Council may consider, provides a list of the matters that Council must consider, so far as may be appropriate in the circumstances, when exercising the power of the investment
- Provides additional matters that Council may take into account when exercising the power of investment
- Permits Council to obtain independent and impartial advice concerning investments and/or the management of investments.

Section 140 of this Act requires that Council review the performance of its investments at least annually.

[Local Government \(Financial Management\) Regulations 2011](#)

Regulation 5 of this regulation requires the preparation and adoption of a Long-Term Financial Plan that includes a summary of proposed operating and capital investment activities, estimates and target ranges adopted by Council for each year of the Long-Term Financial Plan (with respect to an operating surplus ratio, a net financial liabilities ratio and an asset sustainability ratio). A Long-Term Financial Plan must be accompanied by a statement which sets out its purpose, the basis on which it has been prepared and the key conclusions which may be drawn from the estimates, proposals and other information in the plan.

All investments are to be made in accordance with the following legislation:

[Trustee Act 1936](#)

This Act is applicable when Council acts as a trustee of funds (e.g. when administering an estate). The provisions relating to investments in the *Local Government Act 1999* are based upon this Act.

4.2 Other references

Council's document including:

- a. Delegations Register
- b. Fees and Charges Register
- c. Financial Sustainability Policy.

5. STRATEGIC PLAN/POLICY

5.1 Strategic Plan

The following strategic objectives in Council's Strategic Plan 2025 are the most relevant to this report:

Objective	Comments
Leadership	
<i>Leadership and advocacy is focused on the long term interests of the community</i>	Ensuring the long-term financial sustainability of Council contributes towards delivering the aspirations for the city and community outlined in the Strategic Plan 2025.

5.2 Organisation Plan

Our Strategic Plan is supported by an Organisation Plan which focuses on five key themes of customer care, learning & growth, future capability and sustainable operations. The key theme most relevant to this policy is sustainable operations, in ensuring that we make consistent, informed decisions which are evidence based.

6. POLICY IMPLEMENTATION

This Policy will be implemented by the Chief Executive Officer or relevant portfolio general manager and managed in accordance with Council's scheme of delegations.

Record number	D23/58800
Responsible Manager	Manager Finance & Rating Services
Other key internal stakeholders	General Manager Strategy & Finance
Last reviewed	23 May 2023
Adoption reference	Council
Resolution number	151
Previous review dates	11/2/20, 29/01/20, 11/4/17, 13/5/14, 13/03/12, 8/4/08
Legal requirement	NA
Due date next review	2025
Delegations	Yes