

TREASURY MANAGEMENT POLICY



Type	Governance
Category	Finance
First Issued/Adopted	April 2018
Minutes Reference	
Review Period	36 Months
Last Reviewed	April 2023
Next Review	April 2026
Applicable Legislation	<ul style="list-style-type: none">• <i>Local Government Act 1999</i>• <i>Local Government (Financial Management) Regulations 2011</i>
Related Documents	<ul style="list-style-type: none">• East Waste Charter• East Waste Strategic Plan 2030• East Waste Long Term Financial Plan• Budget Framework Policy• Member Council Rebate & Distribution Policy
Consultation Undertaken	Audit & Risk Management Committee
Responsible Officer	Manager Business Services

SIGNED:



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General Manager

Date: 5/05/2022



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Chairperson

Date: 5/05/2022

Purpose

The Eastern Waste Management Authority (East Waste) is committed to operating in a financially sustainable manner, at all times. The Treasury Management Policy (the Policy) provides a framework which underpins East Waste's decision-making activities relating to the financial operations as included in the Annual Budget, Long Term Financial Plan (LTFP) and associated projected actual cash receipts and outlays.

The Policy outlines how the required borrowings will be raised, if relevant, and how cash and investments will be managed to fund East Waste operations.

The Policy establishes a framework to ensure that:

- Funds are available as, and when required to support approved outlays; and
- Risks around Interest rates and other risks are acknowledged and responsibly managed.

This policy applies to all financial assets/liabilities and reserves, including finance leases except for the following specific exclusions:

- Creditors and Provisions (liabilities); and
- Bank Guarantees.

Definitions

Refer to the East Waste Charter, Budget Framework Policy and Australian Accounting Standards for definitions where required.

Principles

1. Investments

The following statement is made with consideration to, and in accordance with, the requirements of Clause 61 of the East Waste Charter – Distributions to Constituent Councils. Clause 61 states:

'The Authority must pay or credit surplus funds to the Constituent Councils in proportion to their Common Fleet Collection Percentages to the extent the Board determines the Authority can afford to pay having regard to future expenditure the Business Plan anticipates be incurred.'

Any surplus funds that are not immediately required to meet operational expenditure needs which cannot be applied to reduce existing borrowings will be invested in accordance with this Policy.

Investments will be made in a prudent manner having regard for the prevailing economic climate, projected interest rate movements and future cash requirements.

Cash investments are to be limited to:

- Deposits with the Local Government Finance Authority.

Unless it is financially advantageous to do so, the maturity date for fixed term investments should not exceed a point in time where the funds could otherwise be applied cost effectively to either defer the need to raise new borrowings, access existing overdraft facilities or reduce the level of East Waste's existing borrowings.

All investments are to be made exercising care, diligence and skill taking into consideration:

- The purpose of the investment.
- The likely income return and timing of income return.
- The period in which the investment is likely to be required.
- The cost of making and maintaining the investment.
- An assessment on future interest rate movements.
- The liquidity and marketability of the proposed investment; and
- An assessment of future cash flow requirements.

2. Borrowings

Borrowings are not a form of revenue and do not replace the need for East Waste to generate sufficient operating revenue to service operating requirements. Borrowings are a useful and valid mechanism to:

- acquire and / or construct new long-term assets that will be used to provide services; and
- manage short-term timing differences between operating cash inflows and outflows.

East Waste manages its funds holistically within the constraints of the Annual Business Plan adopted Budget and LTFP.

All borrowings are to be made exercising care, diligence and skill in the consideration of:

- Current risk profile.
- Current economic factors.
- The period over which the funds are likely to be required.
- Expected short and long term view of interest rate trends.
- East Waste's overall debt maturity profile and mix.
- Cost of funding.
- Cost differentials between fixed and variable facilities.
- Long term capacity of repayment of loans.
- The rationale for the borrowings; and
- The cost of making and maintaining the borrowing.

3. Authority to Borrow

In accordance with Clause 11.3 of the East Waste Charter, the Board may not delegate the power to borrow money or obtain any other form of financial accommodation unless authorised in an Annual Business Plan.

Budgeted borrowings that are not taken out within the financial year for which they are approved are not carried over into the following year and the delegated authority to borrow those funds lapse. A new budgeted borrowings limit is then established as part of the following year's budget.

As per the requirements of the Local Government Finance Authority, the East Waste Board must authorise all borrowings by way of resolution (typically through the endorsement of the Annual Business Plan).

4. Quotations

East Waste will utilise the Local Government Finance Authority as its preferred supplier when undertaking new borrowings or investment of surplus cash. The Local Government Finance Authority provides significant support to the industry and applies bonus return payments to Councils and Subsidiaries from its profits.

From time to time, at intervals of no more than every three (3) years, East Waste will undertake a market testing exercise for borrowings to compare against the Local Government Finance Authority to ensure they continue to deliver the value to the community (after taking into account all relevant factors, including bonus amounts paid and bonus discounts received).

5. Maintain Sufficient Funds to Meet Liabilities

To ensure liabilities are met as and when they fall due and to maintain business continuity, East Waste shall maintain a suitable balance of funds held in any operating account on an 'at call' basis to meet current period projected financial obligations. These limits shall be considered when preparing the Annual Plan and Budget, Budget Reviews and LTFFP.

East Waste's Executive Management team will monitor the level of cash and working capital requirements on a weekly basis.

6. Reporting

On or before 30 November each year, the East Waste Board shall receive, via the Audit and Risk Management Committee, a specific report regarding treasury management performance relative to the criteria specified in this policy.

The report will highlight:

- The amount of each East Waste borrowing and investment, its interest rate, maturity date and any changes in holdings since the previous report; and
- If applicable, the proportion of fixed interest rate and variable interest rate borrowings at the end of the reporting period.