NYLGA
NORTHERN & YORKE
LOCAL GOVERNMENT ASSOCIATION

Treasury, Investment and Reserves Policy

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Policy Purpose

This Policy establishes a prudent, transparent, accountable, and compliant framework for:

- Treasury management.
- Investment of surplus funds.
- Management of operational and strategic reserves.
- Liquidity and cash flow management.
- Borrowings and debt management (where applicable).
- Protection of public funds entrusted to the Northern and Yorke Local Government Association (NYLGA).
- Financial sustainability and long-term financial resilience.
- Risk management and internal financial controls.

This Policy ensures financial sustainability, sound governance, prudent stewardship of public resources, risk management, and compliance with the South Australian local government legislative framework, particularly the *Local Government Act 1999 (SA)* and associated regulations.

Legislative Authority

This Policy is made pursuant to:

- *Local Government Act 1999 (SA)*
- *Local Government (Financial Management) Regulations 2011.*
- Australian Accounting Standards.
- Applicable Ministerial guidance notes.
- Local Government Association of South Australia (LGA SA) financial governance guidance.
- NYLGA Charter.
- Annual Business Plan and Budget.
- Long-Term Financial Plan (where applicable)
- Delegations and Financial Authorisation Policy.
- Risk Management Policy.
- Integrity and Fraud Control Policy.

In particular, Section 139 of the Act provides a Council may invest money under its control and must:

- Exercise the care, diligence, and skill that a prudent person of business would exercise; and
- Avoid investments that are speculative or hazardous.

The Act also requires consideration of:

- diversification.
- liquidity.
- capital preservation.
- inflation risk.
- income timing.
- maintaining real value when making investment decisions.

Relevant Standards and Guidance

This Policy has regard to:

- AS ISO 31000:2018 Risk Management – Guidelines.
- AS ISO 37301:2021 Compliance Management Systems.
- AS 8001:2021 Fraud and Corruption Control.
- Better Practice Model—Internal Financial Controls.
- LGA SA Better Practice Financial Governance Guidance.

Policy Objectives

The objectives of this Policy are:

Treasury Management

Ensure enough liquidity is available to meet operational and strategic obligations as they fall due.

Investment Management

Preserve capital first, then optimise returns within acceptable risk parameters.

Reserve Management

Maintain adequate reserves to ensure organisational continuity, strategic capability, and resilience against financial shocks.

Governance and Accountability

Ensure authority, transparency, reporting, oversight, and auditability of all treasury and investment activities.

Risk Management

Minimise exposure to financial loss, liquidity risks, investment concentration risks, fraud risks, and governance failures.

Financial Sustainability

Support the long-term financial sustainability and operational resilience of NYLGA.

Policy Principles

NYLGA will apply these principles:

1. Preservation of capital.
2. Liquidity.
3. Security.
4. Diversification.
5. Return on investment.
6. Accountability and transparency.
7. Prudential financial management.
8. Compliance with legislative obligations.

Returns will never override risk management obligations.

Treasury Management

Cash Management

NYLGA will maintain enough working capital to:

- meet payroll obligations.
- fund operating expenditure.
- manage contractual commitments.
- respond to emergencies.
- deliver strategic projects.
- maintain organisational continuity.

Cash flow forecasts shall be:

- prepared regularly.
- reviewed regularly.
- updated following material financial changes.
- reported where material risks emerge.

Banking Arrangements

All banking arrangements must:

- be with Australian Authorised Deposit-taking Institutions (ADIs).
- be approved by the Board or delegated authority.
- provide appropriate security and internal controls.
- support auditability and transaction traceability.

Electronic banking arrangements must include:

- multi-factor authentication (MFA).
- role separation.
- secure user access controls.
- audit trail capability.
- periodic access reviews.

Delegations

The Chief Executive Officer may delegate day-to-day treasury administration to the appropriate finance officer or a designated and approved contractor; however, strategic accountability remains with the CEO and Board.

Dual authorisation shall apply to:

- payments.
- investment transactions.
- banking transfers.
- establishment of new payees where possible.

Delegations must:

- be documented.
- comply with the Delegations and Financial Authorisation Policy.
- be regularly reviewed.

Investment Policy

Permitted Investments

NYLGA may invest only in low-risk products, including:

- Cash management accounts.
- Term deposits.
- At-call deposits.

- Fixed interest deposits.
- Deposits with Australian banks, building societies, or credit unions that are ADIs.
- Other investments specifically approved by legislation.

Investments must prioritise:

- capital preservation.
- liquidity.
- institutional security.
- diversification.

Prohibited Investments

NYLGA must not invest in:

- speculative products.
- derivatives (except for genuine risk management approved by the Board).
- direct equities.
- cryptocurrency.
- unsecured private lending.
- high-risk managed funds.
- products inconsistent with public sector prudential expectations.
- leveraged investment products.

Investment Risk Assessment

Before any investment is made, consideration must be given to:

- credit risk.
- liquidity risk.
- concentration risk.
- interest rate risk.
- market conditions.
- investment duration.
- organisational cash flow requirements.

Investment Limits

No more than:

- 40% of total investments with a single institution (unless a major bank exception is approved by the Board).

- 50% of investments maturing in any one quarter.

This ensures diversification and liquidity management.

The Board may approve alternative limits where justified by market conditions, risk considerations, or organisational requirements.

Investment Timeframes

Investment terms must align with:

- operational cash flow requirements.
- reserve purposes.
- known capital commitments.
- strategic planning horizons.
- liquidity requirements.

Long-term investments must not compromise liquidity or operational sustainability.

Reserve Management

Purpose of Reserves

Reserves are held to:

- protect continuity of operations.
- manage revenue interruptions.
- support strategic regional priorities.
- fund major projects and co-contributions.
- respond to emergencies or unforeseen events.
- reduce unnecessary borrowing risk.
- maintain financial resilience and organisational stability.

Types of Reserves

(a) Operating Reserve

The Operating Reserve supports the continuity of core operations where revenue is delayed, reduced, or disrupted.

(b) Strategic Reserve

The Strategic Reserve supports:

- regional advocacy opportunities.
- co-funded grant programs.
- major one-off strategic initiatives.

- economic development opportunities.
- regional emergency response initiatives where appropriate.

(c) Asset / Renewal Reserve (if applicable)

Where relevant, funds may be held for future asset replacement obligations.

(d) Emergency Contingency Reserve (if applicable)

NYLGA may establish a contingency reserve to respond to:

- emergency operational disruptions.
- cybersecurity incidents.
- critical infrastructure failures.
- unforeseen governance or financial events.

Minimum Reserve Requirement

NYLGA shall maintain unrestricted cash and reserves equivalent to a minimum of:

1.5 years of normal operating expenditure

This reflects:

- reliance on member subscriptions.
- vulnerability to funding timing changes.
- limited alternative revenue sources.
- the need to maintain continuity of regional representation and service delivery.

This reserve level is considered prudent and proportionate for an organisation of N&YLGA's scale and governance responsibilities.

Reserve adequacy shall be reviewed yearly as part of long-term financial planning processes.

Use of Reserves

Reserves may only be used where:

- approved by Board resolution; or
- required under formally delegated emergency authority.

Use of reserves should generally occur only after:

- significant revenue interruption.
- extraordinary expenditure requirements.
- strategic investment opportunity with clear Board endorsement.
- major external funding leverage opportunity.
- emergency operational requirements.

Reserves should not be used to fund ordinary recurring operational deficits without an approved financial recovery strategy.

Trigger for Operational Reserve Use

Where projected unrestricted cash coverage falls below:

6 months of operating expenditure

Management must present a formal financial sustainability response plan to the Board.

The response plan should consider:

- expenditure reductions.
- alternative revenue opportunities.
- operational sustainability measures.
- reserve preservation strategies.

Where operating revenue stops or materially reduces, reserves may be progressively utilised to maintain essential operations while strategic decisions are made.

Borrowings

NYLGA will avoid borrowings unless:

- financially prudent.
- strategically justified.
- supported by long-term organisational benefit.
- sustainable within long-term financial planning parameters.
- approved by formal Board resolution.

Short-term liquidity issues should generally be managed through reserves rather than debt.

Any proposed borrowing must include an assessment of:

- repayment capacity.
- financial sustainability impacts.
- interest rate exposure.
- operational impacts.
- long-term strategic value.

Reporting

Management must provide regular reports to the Board on:

- cash position.
- investments held.

- maturities.
- reserve balances.
- compliance with this Policy.
- investment performance.
- liquidity risks.
- any exceptions or risks requiring Board attention.

At a minimum, reporting shall occur quarterly.

Review of Investments

In accordance with Section 140 of the *Local Government Act 1999* (SA), investments must be regularly reviewed for

- performance.
- risk.
- compliance.
- ongoing suitability.
- diversification.
- liquidity adequacy.

Where an investment no longer meets prudential or policy expectations, corrective action must be considered.

Internal Controls

Appropriate internal controls must include:

- separation of duties.
- delegated authority limits.
- dual authorisation.
- reconciliations.
- independent review.
- annual audit oversight.
- Audit and Risk Committee review (where applicable).
- secure banking access controls.
- periodic fraud risk assessment.

All treasury and investment activities must be capable of independent audit verification.

Business Continuity Considerations

Treasury and reserve management arrangements should support business continuity and operational resilience during periods of:

- financial disruption.
- cyber incidents.
- emergency events.
- significant revenue interruption.

Policy Review

This Policy shall be reviewed:

- yearly as part of budget adoption.
- following legislative amendment.
- following significant financial events.
- following audit recommendations.
- whenever organisational or financial circumstances materially change.

Responsible Officer

Chief Executive Officer

Supported by:

- Chairperson.
- Finance Consultant.
- Audit and Risk Committee.
- External Auditor where applicable.

Adoption

This Policy was adopted by the Board of the Northern and Yorke Local Government Association on:

[Insert Date]

Review date:

[Insert Date + 12 months]

This draft is written at formal Board-adoption standard and aligned with South Australian local government legislative expectations, recognised Australian Standards, contemporary treasury governance principles, and prudent public sector financial management expectations.

Source document reviewed: Draft Treasury Policy April 2026.