

Policy No. 71: Investment of Surplus Council Funds

POLICY MANUAL

Policy No. 71	Investment of Surplus Council Funds
Purpose	The purpose of this Policy is to provide guidelines for the investment of surplus funds of the Council.
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POLICY

1. Definitions

<i>Surplus Council Funds</i>	Funds that are not required to be expended in the course of normal operations of the Council.
<i>Working Capital</i>	The amount of funds available to meet the Council's financial obligations when they fall due.
<i>Authorised Deposit Taking Institution</i>	A body corporate in relation to which an authority under subsection 9(3) of the <i>Banking Act 1959</i> (No. 6 of 1959 as amended) is in force.
<i>Investment Arrangement</i>	An arrangement that relates to acquiring, consolidating, dealing with, or disposing of certificates of deposit, bonds or notes issued or proposed to be issued.

2. Objective

The objective of this Policy is to ensure that the best possible rate of return is achieved from the investment of surplus funds of the Council whilst, at the same time, ensuring the security of those funds and maintaining sufficient working capital to support the operations and capital program requirements of the Council.

3. Scope

This Policy applies to all investments of surplus funds of the Council.

4. Policy

1. The level of the Council's funds available for investment is to be reviewed at least weekly. During the review process likely cash inflows and outflows for the immediate future will be assessed to establish either the availability of surplus funds or the need to redeem existing investments.
2. The Council will target a cash buffer to the equivalent of three – six months, based on the cash expenses cover ratio in line with the Tasmanian Audit Office benchmark for adequate cash cover. These funds will be kept between cash at bank, at call funds and term deposit investments. Sufficient funding will be available in cash at bank and at call fund to allow the Council to undertake its operations and meet its obligations. The maturity timing of term deposit investments will match predicted cash flow requirements.
3. Funds may be deposited with any Commonwealth, State or Authorised Deposit Taking Institution. To control the overall credit quality of the deposits, the following maximum holding limits will apply:

S&P Long Term Credit Rating *	Maximum % holding
AAA to AA-	100%
A+ to A-	70%
BBB+ to BBB-	70%
Not Rated	30%

** or equivalent*

4. Where surplus funds are available the following procedures will apply:
Not less than two quotations shall be obtained from authorised deposit-taking institutions whenever an investment arrangement is proposed. The best quote of the day will be successful after allowing for credit rating, timing of investment return, administrative and banking costs.

An Investment of Surplus Funds Form is to be completed which will include the following information:

- amount of cash to be invested;
- the duration of the investment;
- details of products, including security (ie. S&P rating, State or Commonwealth) and interest rates offered by the institutions approached;
- name of the institution and product selected; and
- endorsement of the selection by any two of the following the Council's Officers - the Team Leader Finance, the Director Corporate Services and the General Manager.

5. An investment register will be maintained with all movements, which will include:
- a list of all investments in the Council's investment portfolio
 - current rate of return on individual investments
 - credit rating of institution
 - percentage of total portfolio allocation with each institution
 - maturity dates

Reporting on cash and investments will be tabled at Council Meetings on a quarterly basis.

5. Legislation and Related Standards

Local Government Act 1993 – sections 64 and 75

Banking Act 1959

Meander Valley Council Financial Management Strategy

Meander Valley Council Annual Plan and Budget Estimates

6. Responsibility

Responsibility for the operation of this Policy rests with the Director Corporate Services.