



Policy Name	Investment Policy		
Type	Council Policy		
Owner	Executive Manager Finance and Human Services		
Responsible Officer	Executive Manager Finance and Human Services		
Decision Number	[Decision Number]	Approval Date	12/07/2021
Records Number	[Records Number]	Next Review Date	[Review Date]

## 1 Purpose

To set guidelines and boundaries for the investment of Mornington Shire Council surplus cash balances which meet the requirements of the *Statutory Bodies Financial Arrangements (SBFA) Act 1982* and its regulation and support Council's investment and risk philosophy.

## 2 Scope

This policy applies to the investment of all cash holdings of Mornington Shire Council.

## 3 Definitions

Surplus Cash Balances - For the purpose of this policy, surplus cash balances are Council's cash holdings available for investment at any one time after consideration of the amount and timing of Council's operational cash flow needs.

Authorised Investments – Authorised investments are as permitted under the *SBFA Act 1982*, and in accordance with the Category 1 Investment Powers applicable to Mornington Shire Council under the *SBFA Regulation 2007*.

Prescribed Investment Arrangements – Investments listed at *Schedule 6 of the SBFA Regulation 2007*.

## 4 Policy

### INVESTMENT RISK PHILOSOPHY

Council maintains a conservative and risk averse investment philosophy for its surplus cash investments. As the custodian of public monies Council chooses to secure its capital base but take the opportunity to produce revenue from cash assets as far as possible within established risk averse constraints.

#### Objective

- To maximise earnings with funds not immediately required for financial commitments;
- To invest funds at the most advantageous rate of interest available to it at the time, for that investment type, and in a way that it considers the most appropriate given the circumstances; and
- To preserve capital.



## PRUDENT PERSON STANDARD

Officers responsible for investing local government funds must act with a duty of care, skill, prudence and diligence that a prudent person would exercise when investing and managing their own funds. Conflicts of interest must be recorded and disclosed to the Chief Executive Officer.

## RANGE OF INVESTMENTS

Mornington Shire Council has Category 1 investment power under the *SBFA Act 1982*.

A Category 1 investor is permitted to invest at call or for a fixed period of no more than one year in the following ways:

- Deposits with a financial institution;
- Investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- Other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- Investment arrangements, managed or offered by QIC or QTC, prescribed under a regulation of the *SBFA Act 1982*;
- An investment arrangement with a rating prescribed under a regulation of the *SBFA Act 1982*; and
- Other investment arrangements prescribed under a regulation of the *SBFA Act 1982*.

All investments must be denominated in Australian Dollars and undertaken in Australia.

The prescribed investment arrangements are QIC Cash Fund, QTC Capital Guaranteed Cash Fund, QTC Debt Offset Facility, QTC Fixed Rate Deposit (up to 12 months) and the QTC Working Capital Facility.



**CREDIT RISK GUIDELINES**

The minimum and maximum invested surplus cash with any line of credit risk must conform with the following:

Table A:

Long-term credit rating# or financial institution	Short-term credit rating#	Minimum % of total investments or minimum value	Maximum % of total investments or maximum value	Maximum Term
QTC Capital Guaranteed Cash Fund		50%	100%	(At Call)
AAA	A-1+	0	50%	1 year
AA to AA-	A-1+	0	40%	1 year
A+ to A-	A-1	0	30%	6 months

# Most recently available credit ratings from Standard & Poor's.

This policy does not support investment with unrated financial institutions or financial institutions with a rating below A-

- Before rollover of existing investments or undertaking new investments, other than prescribed investment arrangements, the credit rating of the investment institutions used or intended to be used by Council should be assessed;
- In the event of published economic downturn or instability the credit rating of the investment institutions used by Council should be reassessed and remedial action taken if necessary; and
- Queensland Treasury Corporation may be used to assist with financial institution credit ratings.

This information should be available from the relevant financial institution web site.

**QUOTATIONS AND FAIR VALUE**

At least three (3) verbal quotations must be obtained and noted from authorised institutions when investing surplus cash however this requirement does not apply to investing within the prescribed investment arrangements.

In general, financial institutions with lower credit ratings have a higher credit risk and therefore, the interest rate received on the investment should be higher reflecting the higher level of risk.

The quotes received should be considered relative to the assessed risk of the financial institution.



## TERMS TO MATURITY

The term to maturity of the surplus cash investment must be determined taking into consideration Council's future cash flow needs, credit risk guidelines and the prevailing outlook regarding interest rates.

The term cannot exceed one (1) year for any investment.

## REPORTING REQUIREMENTS

Reporting procedures must be established to ensure the investments are being reviewed and overseen regularly.

### 5 Legal Parameters

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*Statutory Bodies Financial Arrangements (SBFA) Act 1982*

*Statutory Bodies Financial Arrangements (SBFA) Regulation 2007*

*Local Government Act 2009*

*Local Government Regulation 2012*

### 6 Approval

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This Policy is to be adopted at Council's Special Meeting held 12 July 2021 Resolution Number <insert number>.