



**GREATER SHEPPARTON CITY COUNCIL**

# **INVESTMENT AND CASH MANAGEMENT POLICY**

Adopted by Council:  
Next Review: 26 June 2029



**INVESTMENT AND CASH MANAGEMENT POLICY**

<b>Code:</b>	34.POL1
<b>Version:</b>	<b>4</b>
<b>Business Unit:</b>	Finance and Rates
<b>Responsible Officer:</b>	Manager Finance and Rates
<b>Approved By:</b>	Chief Executive Officer
<b>Adopted By:</b>	
<b>Next Review:</b>	26 June 2029

**PURPOSE**

Council is committed to ensuring that its investments and cash are managed in an appropriate, open and transparent manner.

This policy provides guidance on the effective and responsible utilisation of Council's surplus cash funds in accordance with the legislative framework.

Particular emphasis is placed on investment decisions that manage exposure to risk and optimise return on investment whilst ensuring sufficient liquidity for Council's operational needs.

**OBJECTIVES**

The objectives of this policy are to ensure that:

- All funds are invested in accordance with legislative requirements and Council policy.
- Effective internal controls are in place to minimise investment risk and unauthorised appropriation of Council funds.
- All investment transactions are appropriately authorised and documented.
- The primary objective of investment decisions is the security of funds by managing exposure to risk.
- Return on investment is to be achieved whilst ensuring sufficient liquidity for Council's day to day operational commitments.

**SCOPE**

This policy applies to all funds invested on behalf of Greater Shepparton City Council.

## DEFINITIONS

<b>Credit Risk:</b>	The risk that the financial institution will not fulfil their obligations under the financial instrument resulting in financial loss.
<b>Interest Rate Risk:</b>	The variability in return caused by movements in interest rates – Council would be susceptible to this risk if the funds are invested at a fixed rate for a long period and investment rates moved upwards.
<b>Liquidity Risk:</b>	The risk that Council does not have sufficient funds to settle financial obligations as they fall due.

## POLICY

### 1. Investment Objectives

Council's overall objective is to preserve its cash assets while investing surplus funds at the best interest rate available giving due consideration to risk and cash flow, whilst working within the parameters of this policy.

Investment activities will be conducted in the following order of priority:

- Preservation of capital
- Liquidity of cash flow
- Investment return

#### 1.1. Preservation of Capital

Preservation of capital is the primary objective of the investment portfolio. Investments are to be made in a manner that seeks to ensure security of principal. This includes managing credit risk.

#### 1.2. Maintenance of Liquidity

a) The investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements of Council as and when they fall due, without incurring significant transaction costs or loss of interest earnings due to the need to redeem an investment before maturity.

b) The term to maturity of any Council investment may range from "at call" to one year, taking into account anticipated cash requirements and prevailing market conditions at the time of the investment.

#### 1.3. Return on Investments

Investment returns are to be maximised within the parameters of this Policy. No less than three quotations will be obtained from authorised deposit taking institutions when an investment or renewal of an investment is proposed.

## 2. Authorised Investments

Council will only place investments:

- Denominated in Australian currency
- Cash/At-Call accounts or Term deposits with Authorised Deposit-Taking Institutions (ADI's) with a credit rating as described in section 3.
- Term deposits with the Goulburn Murray Credit Union

## 3. Portfolio Investment Parameters and Credit Requirements

A credit rating is a forward-looking opinion about the creditworthiness of an obligor.

The following details the Standard and Poor's and Moody's Short Term Issue credit ratings:

S&P	Moody's	
A1+	P-1	Highest available short term rating, indicating that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.
A1		Indicates the obligor's capacity to meet its financial commitment on the obligation is strong.
A2	P-2	Indicates the obligor may be somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories, however the capacity to meet its financial commitment on the obligation is satisfactory.

- a) In order to minimise risk by maintaining a diverse portfolio, the following credit rating and institutional limits apply:

Short Term Rating	Individual Institution Limit <sup>1</sup>	Maximum Investment Proportion
A1+/A1/P-1	40%	100%
A2/P-2	15%	40%

- b) In addition to the parameters in the above table, an upper limit of \$2 million can be invested with the Goulburn Murray Credit Union (unrated).
- c) If redemption of funds causes a shift in percentage of funds held with any single investment body to the counterparty limit, investments will be returned to correct the imbalance at either the next available maturity date or a period of six months, whichever is the earlier of the two.
- d) If an existing Council investment falls below the minimum rating level, Council will take action to withdraw funds immediately.

<sup>1</sup> This excludes non-investment amounts, e.g. cash at bank and Treasury Corporation of Victoria at-call deposits

**4. Internal Controls**

- a) Internal controls and processes are to be maintained to ensure investment objectives are met and that the investment portfolios are protected from fraud including loss, theft or inappropriate use.
- b) Annual performance will be reported to the Executive Leadership Team, including investment returns and portfolio characteristics.

**RELATED POLICIES AND DIRECTIVES**

- Nil

**RELATED LEGISLATION**

- All investments and this policy shall comply with the *Local Government Act 2020*, in particular sections 101, 102 and 103. They shall also comply with relevant regulations, guidelines and directions issued by the Victorian Local Government Minister or Local Government Victoria.

**REVIEW**

This policy will be reviewed by the Manager Finance and Rates within four years from the date of adoption.

**DOCUMENT REVISIONS**

Version #	Date Adopted	Date Effective
2	18 April 2017	18 April 2017
2.1	18 August 2020	18 August 2020
3	19 April 2022	19 April 2022
4		