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## INVESTMENT OF COUNCIL FUNDS GUIDELINE

### REFERENCES & RELATED DOCUMENTS

CP005 Investment of Council Funds Policy

### RATIONALE/BACKGROUND

Under s.75 of the *Local Government Act 1993*, Council may invest money. Generally, investing money provides a higher rate of return than what is received in operational bank accounts.

Based upon Standard and Poors rating levels, Council funds may be invested in term deposits as follows:

Total Portfolio Limits		
Long Term credit Rating (or Moody's, Fitch, S&P or equivalent)	Short Term Credit (S&P or Equivalent)	Maximum Holding
AAA-AA category	A1+	100%
A Category	A1-A2	80%
BBB Category	A2-A3	40% (<=\$2mil)

Overall Portfolio Return to Maturity		
Portfolio % <1 Year	Min 40%	Max 100%
Portfolio % > 1 Year	Min 0%	Max 60%
Portfolio % > 3 Year	Min 0%	Max 30%
Portfolio % > 5 Year	Min 0%	Max 20%

Any products with more risk than a term deposit are to be approved by the Council.

An assessment of Council's cash flow requirements up until the next investment maturity date must be completed before new investments are purchased. Sufficient funds must be maintained in cash (i.e. cheque account) each month so that no overdraft interest or fees are incurred.

### Authorisation

The General Manager or the delegated officer has authority to invest surplus funds.

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### STANDARD & POORS RATINGS LEVELS

#### SHORT TERM:

- A1+** Extremely Strong Capacity to Pay
- A1** Strong Capacity to Pay
- A2** Satisfactory Capacity to Pay
- A3** Adequate Capacity to Pay
- B** Speculative

#### LONG TERM:

- AAA** Extremely Strong Capacity to Pay
- AA+** }  
**AA** } Very Strong Capacity to Pay  
**AA-** }
- A+** }  
**A** } Strong Capacity to Pay  
**A-** }
- BBB+** }  
**BBB** } Adequate Capacity to Pay  
**BBB-** }
- BB+** }  
**BB** } Uncertainties or Adverse Conditions could lead to Inadequate Capacity to Pay  
**BB-** }
- B+** }  
**B** } Adverse Conditions Likely to Impair Capacity to Pay  
**B-** }
- CCC** Vulnerable to Default
- C** High Risk of Default
- D** Default

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