



# Investment Management Strategy and Liquidity Management Strategy Policy

## 1. Purpose

The purpose of this policy is to ensure that refundable deposits are only used for permitted uses and invested in financial products which meet set objectives, including maintaining sufficient liquidity.

## 2. Scope

This policy applies to all refundable deposits received from aged care residents.

## 3. Definitions

Term	Definition
Act	The Act refers to the <i>Aged Care Act 1997</i>
Authorised Deposit-taking Institution (ADI)	A body corporate granted an authority to carry on a banking business in Australia under Subsection 9(3) of the <i>Banking Act 1959 (Cwlth)</i> .
CFO	Chief Financial Officer
Refundable Deposit	Refundable accommodation deposits (RADs) and refundable accommodation contributions (RACs) or accommodation bonds (collectively defined in clause 1 of Schedule 1 of the <i>Aged Care Act 1997</i> as 'refundable deposits').
Religious charitable development funds	A body corporate, or a body corporate that is a controlling entity of a fund listed in a banking exemption issued under the <i>Banking Act 1959 (Cwlth)</i> .

## 4. Policy Statement

Southern Cross Care (Tasmania) Inc. (SCC) will ensure that accommodation deposits are managed in accordance with the Act.

### 4.1 Investment Management Strategy

Refundable Accommodation Deposits (RADs) can only be invested in permitted financial products or used in accordance with the Act.

The following objectives shall be followed when selecting financial products for the purpose of investing accommodation deposits:

- a) manage investment risks to ensure the long-term stewardship and safety of accommodation deposits
- b) ensures funds are readily accessible to meet liquidity requirements
- c) achieve return on investments consistent with objectives a) and b).



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### 4.2 Liquidity Management Strategy

Sufficient liquidity must be maintained at all times to ensure that RADS can be repaid in accordance with the Act.

Liquidity is monitored on an ongoing basis to ensure that sufficient funds are available to meet all financial obligations, including RADS, and a full review of the liquidity policy, including the liquidity reserve, is undertaken no less frequently than on an annual basis in accordance with the Act.

The liquidity reserve will be set annually. Where the estimated net movement in accommodation deposits in the upcoming 12 months is:

- a net inflow, then the liquidity reserve amount will be 10% of total bond/RAD balance reported in the most recent Financial Statements, either Annual or Interim
- a net outflow, then the liquidity reserve amount will be the greater of either:
  - a) the amount of the projected net outflow for the next 12 months multiplied by 120%, or
  - b) 10% of total bond/RAD balance reported in the most recent Financial Statements, either Annual or Interim.

#### 4.2.1 Minimum Liquidity Reserve Amount

After assessment of all relevant factors, for the period from 1 January 2024 to 31 December 2024 including most recent financial projections, SCC projects to receive net inflows of RADs. The Minimum Liquidity Management Reserve is therefore set at \$9.977m, being 10% of the Bond/RAD balance at 30 June 2023 of \$99.768m.

This amount will be maintained in cash, term deposits or readily available funds from undrawn overdraft or line of credit and similar facilities.

## 5. Procedure

### 5.1 Investment Management Strategy

The CFO must ensure that investment objectives set out in 4.1 are met by not investing outside of ADI's or Religious charitable development funds.

To manage investment risk, the amount invested with religious charitable development funds must not exceed 20% of funds, unless approved by the Finance & Investment Committee.

Existing investment portfolio with Shadforth Financial Group Limited will be maintained, subject to an annual review by the Finance & Investment Committee.

The CFO is responsible for ensuring accounting records of investment transactions are current and there is a review of monthly reconciliation of investment balances. Investment balances must be reported in the monthly board finance report.

The Investment Management Strategy is monitored on an ongoing basis by the CFO. The Investment Management Strategy will be reviewed annually and on an as needs basis to ensure that it meets the requirements of the Liquidity Management Strategy.



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## 5.2 Liquidity Management Strategy

The following factors should be considered in setting the liquidity reserve:

- the historical pattern of refundable deposit repayments for the preceding 12 months
- forecast accommodation deposit receipts and repayments in the next 12-month period
- characteristics of the residents and other relevant factors that can affect the timing of refundable deposits, such as age, gender and length of stay
- the average value of accommodation deposits held
- occupancy levels and the average time taken to replace departing residents
- the expected number and amount of RADs that will be paid by new residents and
- the time taken for new residents to make RAD payments.

A minimum liquidity level will be determined annually as part of statutory reporting and reviewed by the Finance & Investment Committee in time for the Board's approval prior to 31 December each year.

The CFO shall manage cash flow and short-term deposit strategy to ensure that prudential cash holding requirements are met.

The CFO must include a statement in the monthly finance report that certifies the prudential cash holding amount has not been breached in the preceding month and based on all available information will not be breached in the next 12 months.

## 6. Roles and Responsibilities

### 6.1 Southern Cross Care

The CFO is responsible for implementing this policy.

### 6.2 Committees

Finance and Investment Committee is responsible for overseeing compliance with the policy and provisions of the Act relating to permitted uses of refundable deposits.

## 7. Supporting documents and References

### 7.1 Government legislation:

- Aged Care Act 1997
- Fees and Payments Principles 2014 (No. 2)

### 7.2 SCC documents:

Resident and Accommodation Agreement  
Admissions policy

### 7.4 Policy Review and Implementation

This policy must be reviewed annually.

The investment management strategy must be reviewed, as a minimum, when:

- there is a change in key personnel who are responsible for the executive decisions of the approved provider

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- there is a change in key personnel with responsibilities for managing RADS/Bonds
- there is a change in the objectives of the investments
- there is a significant devaluation of any of the financial products invested in
- SCC becomes aware that the investment management strategy no longer complies with legislative requirements.

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