

Investments

COUNCIL POLICY NO. 110

1. POLICY PURPOSE

To provide guidance of how to invest surplus funds to create the best advantage for Council, whilst managing the associated risk and maintaining appropriate levels of transparency and security.

2. BACKGROUND

Any funds not required to fulfil short term operational commitments are considered surplus and should be invested to generate interest revenue. Criteria must be set to achieve maximum return on investments that minimise risk and ensure the ongoing sustainability of Council funds.

The *Local Government Act 2020* sets out requirements for the investment of Council funds and compliance with these requirements is mandatory.

This policy sets out the requirements to achieve a balance between the points outlined above.

3. SCOPE

This policy covers the investments of any Council funds.

4. POLICY

4.1 Authority for Investment

Section 103 *Local Government Act 2020* sets out the guidelines in relation to the Financial Institutions with whom a Council may invest.

A Council may invest any money: -

- (a) In Government securities of the Commonwealth; and
- (b) In securities guaranteed by the Government of Victoria; and
- (c) With an ADI; and
- (d) With any financial institution guaranteed by the Government of Victoria; and
- (e) On deposit with an eligible money market dealer within the meaning of the Corporations Act; and
- (f) In any other manner approved by the Minister, either generally or specifically, to be an authorised manner of investment for the purposes of this section.

4.2 Delegation of Authority

The Manager Finance and the Team Leader Financial Services have the authority to invest surplus funds, under the supervision of the Director Corporate Services and the Chief Executive Officer, in accordance with Council's policies.

4.3 Authorised Investments

(a) The only authorised investments that council staff can invest in under this policy without prior approval are:

i. Cash deposits which fulfil the requirements set out in section 4.1 above and falling within the rating guidelines outlined under section 4.4 of this policy. Investments are to be held in Australia and denominated in Australian Dollars.

(b) Other than an investment under 4.3(a), council staff can only invest in the following authorised investments by first having Audit and Risk Committee approval and a council resolution passed, authorising investment in the following investment vehicles:

Council may invest any money: -

- (a) In Government securities of the Commonwealth; and
- (b) In securities guaranteed by the Government of Victoria; and
- (c) With an ADI; and
- (d) With any financial institution guaranteed by the Government of Victoria; and
- (e) On deposit with an eligible money market dealer within the meaning of the Corporations Act; and
- f) In any other manner approved by the Minister, either generally or specifically, to be an authorised manner of investment for the purposes of this section.

4.4 Guidelines

(a) Council's investments with Fund Managers

Type of Fund	Maximum time Horizon	Maximum % of Total Investment Portfolio
Cash Funds (at Call)	24 Hours	0 – 100
Cash Funds (Term Deposits)	7 days – 12 months	0 – 95
Fixed Interest	At call – 2 years	0 – 25

The asset structure and features of the fund are to be consistent with the desired outcomes of Council's Investment Strategy.

(b) Council's direct investments

(i) Quotations on Managed Fund Investments

Not less than two (2) quotations shall be obtained from authorised institutions when an investment in a managed fund is proposed.

(ii) Term to Maturity

The term to maturity of any of Council's direct investments may range from "at call" to five years, unless specifically approved by the Chief Executive Officer.

(iii) Other Factors

Investments which meet all other requirements of this policy but also provide indirect benefits for the Gannawarra Shire community are to be the preferred investment all other matters being equal.

(c) General Policy Guidelines

Diversification / Credit Risk

(i) Guide to Account limits

Council should generally limit the total amount invested with any one fund manager to a maximum of \$2,000,000. In instances where this is not practical, the funds must be invested with an institution which has a long term rating (Standard & Poors) of BBB+ to BBB- or higher.

(ii) Direct Investments

The Amounts shall be invested with any one of the following rated institutions:

Long Term Rating (Standard & Poor's)	Short Term Rating (Standard & Poor's)
AAA to AA-	A1+
A+ to A-	A1
BBB+ to BBB-	A2

Guide: -

- AAA – Highest credit quality – This rating indicates the lowest expectation of credit risk. They are assigned only in the case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
- AA – Very high credit quality – This rating indicates expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
- A – High credit quality – This rating indicates expectations of low credit risk. The capacity for payment of financial commitments is considered strong. The capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
- BBB – Good credit quality – this rating indicates that there is currently an expectation of low credit risk. The capacity for payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions is more likely to impair this capacity. This is the lowest investment-grade category.
- A1+ - Extremely strong degree of safety regarding timely payment.
- A1 – A strong degree of safety.
- A2 – A satisfactory capacity for a timely payment.

(iii) Credit Ratings

If any of the Council's investments are downgraded such that they no longer fall within these investment policy guidelines, they will be divested as soon as is practicable.

(d) Reporting

- (i) A quarterly report will be provided to Council detailing investment income versus budget year to date, for all investments which are invested as prescribed under authorised investment Section 4.3 paragraph (b).
- (ii) For Audit Purposes, certificates must be obtained from the banks/fund managers confirming the amounts of investment held on Council's behalf at 30th June each year.

(e) Variation to Policy

The Chief Executive Officer or their delegated representative is authorised to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation.

All significant changes to this policy are to be reported to the Audit and Risk Committee within 2 months.

5. POLICY REVIEW

Council will review this policy as required but always within twelve months after a general election of the Council. At the time of review, this policy was compliant with the *Victorian Charter of Human Rights and Responsibilities Act 2006*.

6. FURTHER INFORMATION

Members of the public may inspect all Council policies at Gannawarra Shire Council's Kerang and Cohuna Offices, or online at www.gannawarra.vic.gov.au.

Any enquiries in relation to this policy should be directed to the Director Corporate Services on (03) 5450 9333.

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