

Investments

COUNCIL POLICY NO. 110

1. POLICY PURPOSE

To provide guidance of how to invest surplus funds to maximise financial returns for Council, whilst managing the Council's cash flow needs and balancing the associated investment risk and maintaining appropriate levels of transparency and security.

2. DEFINITIONS AND ABBREVIATIONS

Term	Definition
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.
A3	Solid credit standing in the market – low risk of default

3. BACKGROUND

Any funds not required to fulfil short term 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* (the Act) sets out requirements for the investment of Council funds and compliance with these requirements is mandatory.

This policy is to be used to assist in achieving a balance between investment risk and return and ensuring funds are available when required.

4. SCOPE

This policy applies to council staff involved in investing funds for Council. It applies to all bank accounts, investments funds and loan funds controlled by Council.

5. POLICY

5.1 Requirements of the Local Government Act 2020

Section 103 of the Act 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.

5.2 Delegation of Authority

The Instrument of Sub-Delegation by the CEO (S7 and S7A) outlines who has the power to authorise the investment of money in accordance with Section 103 of the Act.

Any proposal to transfer funds to an investment account must be in line with the relevant delegations.

5.3 Authorised investments

Council will limit the total amount invested with any one fund to a maximum of \$3,000,000. Proposed investments outside this limit are only on direction and approval by the Chief Executive Officer. The below outlines investment options and thresholds:

Fund type	Maximum time horizon	Maximum % of total investment portfolio
Cash funds (Bank accounts)	NA	0 – 100
Current – investment options	1 day – 12 months	0 – 95
Non-current – investment options	12 months – 2 years	0 – 25
Long term – investment options	2 years plus	0

Council will only invest funds with an authorised deposit taking institution as follows. These ratings and investment caps are measured at the time of placing the investment:

Long term rating	Short term rating
AAA to BBB-	A-1+ to A-3

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.

The authorised deposit taking institution must also be registered with APRA as an 'Australian-owned authorised deposit-taking institution' or a registered 'Foreign subsidiary bank'.

Council will ensure that when funds are available for investment, the following considerations will be taken into account in determining which banking institutions will be chosen:

- the best return is obtained (taking into consideration both financial and indirect benefits for the Gannawarra Shire community)
- exposure to any one individual authorised deposit taking institution is limited to a maximum of 40% of the amount invested by Council. This is measured at the time the investment is made with the institution
- risk is managed by the spread of investments and ratings of the deposit taking institutions.

Approved investment options include:

- At call accounts
- Fixed term deposits
- Negotiable Certificates of Deposit
- Bank bills
- Promissory notes
- Bonds
- Floating Rate Notes
- Floating Rate Certificates of Deposit.

When making a decision around the type of investment suitable, the restriction, length of investment, associated fees, and availability of staff to investigate and implement will be taken into consideration. It is also important that the asset structure and features of the fund are to be consistent with the desired outcomes of Council's Investment Strategy.

No less than two quotes shall be obtained from authorised institutions when an investment in a managed fund is proposed. An investment broker may also be used and their available market options tested. This meets the quotation requirements as it extends the options to more than two deposit taking institutions.

5.4 Reporting

The register of investments is to be updated on the initialisation and finalisation of any investment. This register is used to determine timing for future investments along with the calculation, and associated journals necessary to report accrued income. This is to be undertaken at the end of each month.

A quarterly report will be provided to Council detailing investment income versus budget year to date, for all investments which are invested. This may also be reported to the Audit and Risk Committee if deemed appropriate.

For Audit Purposes, certificates must be obtained from the banks/fund managers confirming the amounts of investment held on Council's behalf at 30 June each year.

5.5 Record keeping

Investment confirmations are to be received from the authorised deposit taking institution within 24 hours of placing the investment. The rates and period of investment need to be confirmed at this point.

All paperwork, including the proposal to invest, signed approval form and confirmation are to be kept on file.

6. 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.

7. 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*.

8. FURTHER INFORMATION

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

Any enquiries in relation to this policy should be directed to the Chief Executive Officer on (03) 5450 9333.

Records – 3.000518

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Next Review: 2029

