



## 1.0 AUTHORITY

*Local Government Act 2020*

## 2.0 INTENT

The purpose of the Investments Policy is to authorise and regulate the investments and management of Council's available funds to maximise return whilst ensuring security of fund placement and adequate cash flows to fund operations.

## 3.0 SCOPE

This policy applies to all activities undertaken by Council officers involving the investment of the funds surplus to immediate operational requirements in accordance with the requirements of the Victorian *Local Government Act 2020*.

## 4.0 GOVERNANCE PRINCIPLES

Under the *Local Government Act 2020*, Council must give effect to the following overarching governance principles:

- a) Council decisions are to be made and actions taken in accordance with the relevant law.
- b) priority is to be given to achieving the best outcomes for the municipal community, including future generations.
- c) the ongoing financial viability of the Council is to be ensured.
- d) the transparency of Council decisions, actions and information is to be ensured.

## 5.0 POLICY STATEMENT

### 5.1 Delegation of Authority

Under the Authority of the *Local Government Act 2020* the Chief Financial Officer is given authority to invest temporary surplus funds in accordance with Council policy by the Chief Executive Officer.

The Chief Financial Officer may in turn delegate the day-to-day management of Council's investments. An officer delegated authority to manage Council's investments shall be required to acknowledge that they have received a copy of this policy and understand their obligations in relation to it.



### 5.2 Legislative Restrictions

All investments shall be made in accordance with Section 103 of the Victorian *Local Government Act 2020*, as amended.

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.

Any investments subject to legislative restrictions shall be subject to the same investment policy but shall be accounted for separately.

### 5.3 Guidelines

To meet investment objectives Council must consider the following when carrying out investment functions:

#### 5.3.1 Diversification of Risk

For Council to maintain a diverse portfolio it is important to invest with a variety of institutions and consider risk and therefore the following limitations are to apply:

- Investments must be diverse across institutions. At the time of investing the principal, no more than 75% of the investment portfolio shall be invested with any one institution except by approval of the Chief Financial Officer.
- The credit rating of an institution must be considered when making an investment decision.
- All investments shall carry Standard and Poor's short-term rating "A" or above, except with the written approval of Chief Financial Officer.
- Council can use a third party for accessing investment markets within the limits of this policy.

#### 5.3.2 Investment Terms

- Due to the fortnightly payroll and the weekly payments to creditors, Council needs to hold a sufficient level of cash in Council's at call account to cover Council operations daily.
- The standard length of an investment will be between 7 days and 6 months.



- No one single investment shall be for a maturity greater than six (6) months except by approval of the Chief Financial Officer.
- No one single investment shall be greater than \$5 million other than 'at call' or except by approval of the Chief Financial Officer

### 5.3.3 Interest rates

- The actual monthly yield achieved on investments shall be benchmarked against the monthly 'at call' yield for Council's banker.
- Not less than three quotations shall be obtained from authorised institutions prior to Council making an investment.
- The quote which delivers the best value to the Council on the day shall be successful after allowing for account administration and transaction costs and having regard for the Council's exposure limits will be chosen.
- Investments shall be offered to institutions that quote the highest rate except where some other offsetting advantage is more strategic, for example, a significant local community support is demonstrated by the institution or access to "green" investments is demonstrated by the institution although the interest rate offered is lower than the highest obtained by not more than 0.10%, and the investment still complies with other investment clauses in this Policy.

### 5.3.4 Cash to be transferred using the At Call Account and General Account

- Funds may be transferred electronically and will be authorised by two officers who have delegation to approve transfers from the at call account.
- Interest earned on investments on maturity must be redeemed to Council's general bank account.
- All funds that are being redeemed must be directly credited to Council's at general bank account.

### 5.3.5 Shares

- Where shares are acquired in donation or contribution for any reason, it will be at Council's discretion to either return or retain the shares.
- If Council decide to retain the shares, they will be accounted for in accordance with Australian Accounting Standards, including disclosure in the Annual Report

### 5.3.6 Land and Other Property Holdings

- Council will not invest in Land and Buildings or property other than permitted in this policy



- Where property is acquired for development of a specific project and income is earned until the project commences, the property may be classified and accounted for as Investment property in accordance with AASB140.
- If the project is cancelled or relocated, it will be at Council's discretion to sell the property.

### 5.3.7 Prudent Person Standard

- The investment will be managed with care, diligence, and skill that a prudent person would exercise. Officers are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Investment Policy, and not for speculative purposes.

### 5.3.8 Ethics and Conflicts of Interest

- Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires officers to disclose any conflict of interest to the CEO.

### 5.3.9 Reporting

- Documentary evidence must be held for each investment and details maintained in the Investment Register by Councils Treasury Officer.
- The investment register is reconciled to the General Ledger monthly.
- For audit purposes, the Finance Team must obtain from the financial institution's certificates confirming the amount of investment held on Council's behalf as at the 30th of June each year and reconciled to the MPS Investment Register.
- Investments shall be measured and presented in the Annual Report in line with Australian Accounting Standards.

## 6.0 HUMAN RIGHTS CHARTER COMPATIBILITY

This policy has been assessed as being compatible with *the Charter of Human Rights and Responsibilities Act 2006 (Vic)*.

## 7.0 ASSOCIATED DOCUMENTS

- Cash Handling and Banking Policy
- Procurement Policy
- Retention of Financial Records
- Staff Code of Conduct Policy
- Fraud Prevention Policy



- Discipline Procedure Policy
- Police Records Check Policy

## 8.0 DEFINITIONS

|                                  |                                                                                                                    |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------|
| <b>At Call</b>                   | Short-term investment facility where deposits can be redeemed or rolled over at any time.                          |
| <b>Short Term Rating</b>         | (0-365 days) refers to the Institution's capacity to repay debt in the short term (e.g., Standard & Poors rating). |
| <b>Surplus Cash</b>              | Funds that are deemed surplus to operations for periods greater than 7 days.                                       |
| <b>Yield</b>                     | The actual rate of return earned on investments made during a month expressed as an annual rate of return.         |
| <b>Reasonably Prudent Person</b> | An individual who uses good judgement or common sense in handling practical matters.                               |

## 9.0 POLICY SPONSOR

The Manager - Finance, is responsible for overseeing the application and review of the Investments policy.

## 10.0 DOCUMENT CONTROLS

Policy will be reviewed within a four-year cycle in line with a Council term to ensure consistency with the Council plan.

### Administrative Updates

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this document, such a change may be made administratively. Examples include a change to the name of a Shire department, the change to an existing policy or document referred to in this policy, and minor updates to legislation and the like which does not have a material impact. However, any change or update which materially alters the document must be by endorsement of the Executive Team.