



# Investment Policy

<b>Reference Number:</b>	3.12
<b>Type:</b>	Council
<b>Category:</b>	Corporate Policy
<b>Relevant Community Plan Outcome:</b>	<ul style="list-style-type: none"><li>• Our values, leadership and collaborative approach are bold and courageous and enables us to deliver value for our Community and create a leading liveable City</li><li>• The management of our city is progressive, responsive and sustainable to ensure a united and unique place for future generations</li><li>• Open and accountable governance</li></ul>
<b>Responsible Officer(s):</b>	Manager Financial Services
<b>First Issued/Approved:</b>	November 2003
<b>Minutes Reference:</b>	CoS 07/08/2023, Item 4.29
<b>Last Reviewed:</b>	August 2023
<b>Next Review Due:</b>	August 2024
<b>Applicable Legislation:</b>	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
<b>Related Policies:</b>	
<b>Related Procedures:</b>	

## 1. Purpose

The Local Government Act 1999 introduced requirements for councils to review and report on the performance of their investments. These requirements obligate the Officers who are responsible for investing Council funds to act with the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons and be aware of their responsibilities.

The objectives of the Investment Policy are to provide clear direction to management, staff and Council in relation to Investments and to establish an appropriate structure to ensure that:

- Council maximises the return on surplus funds;
- Council funds are preserved; and
- Council's funds are invested in accordance with its legislative and common law responsibilities.

## 2. Scope

This Policy covers Council's obligations for investments under the Local Government Act 1999.

## 3. Policy Statement

The Local Government Act 1999 introduced requirements for Councils to review and report on the performance of their investments. These requirements obligate the Officers who are responsible for investing Council funds to act with the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons and be aware of their responsibilities.

All Investments shall be authorised by persons approved under Council's Delegations Register (Manager Financial Services, Strategic Management Accountant, Divisional Systems Accountant).

Cash flow management tools, including the development of a cash flow budget, will be utilised to accurately predict cash movements and to improve investment earnings and reduce loans. These cash flow budgets will cover the same period as the Council's budget, on a monthly basis. They are to be developed from an understanding of the historical cash flows of past operations and an assessment of the future cash flows of the new budget.

To reduce the level of risk embodied in treasury operations, it is appropriate to limit investments by Council to secure organisations. Therefore, without approval from Council, investments are limited to:

- Deposits with the Local Government Finance Authority
- Bank accepted / endorsed bank bills
- Bank negotiable Certificate of Deposits
- Bank interest bearing deposits
- State / Commonwealth Government Bonds

In terms of investments, the role of the Manager Financial Services is to:

- Ensure the optimum and efficient use of its excess funds consistent with adequate security of those funds invested; and
- Make investment for terms that will align with liquidity requirements.

In meeting these objectives, investments are not to be made with institutions or products with a rating below that listed below, and nor should the amount invested exceed the following percentages of total short-term investments.

Type	S&P Short Term Rating	S&P Long Term Rating	Maximum Holding
LGFA deposits	n/a	AA	100%
Other products and institutions	A-1+	AAA to AA-	75%
Other products and institutions	A-1	A+ to A-	40%

The Maximum Holding is the amount of the investment, plus any other investments of the same type, at the time of making the investment, as a percentage of the current total of Council investments.

Council approval will be sought for investments fixed for a period greater than 12 months.

To maximise the returns to Council for monies invested the bank account balance of Council is to be kept at level no greater than is required to meet Council's immediate working capital requirements, with any surplus funds being applied used to reduce debt or invested to maximise earnings.

### **Quotations on Investments**

Quotations are to be obtained from authorised institutions whenever a fixed term investment is proposed. No less than three quotations are to be obtained from authorised institutions whenever an investment is proposed.

When assessing an investment opportunity, there will always be a number of factors, which are not easily quantifiable that should be considered. These factors may lead to accepting a lower rate of return on a particular investment. Any decision made on an investment shall be appropriately documented including the reasons to support the investment choice.

This Policy does not stipulate that the highest rate should be accepted, but that the investment which delivers the best value to council, should be selected. This allows staff to include other than financial factors, in their consideration, when choosing an investment.

Factors, which may be considered when choosing investments, include:

- transaction costs;
- ease of making transactions;
- ability to swap funds;
- level of service from an institution;
- bonuses paid to Councils; and
- reduced costs for other services.

The legislation refers to issues such as anticipated community benefit and the desirability of attracting additional resources into the local community. The Council has a Corporate and Community Plan which is reviewed within 2 years of a council election. The strategic objectives contained in this plan are also considerations where it is "appropriate in the circumstances" and will also be taken into consideration.

After taking into account all relevant factors, including the exposure limits set above, the quote, which delivers the best value to Council, will be successful. During periods of stable interest rates, new investments may be made based upon the results of previous quotes, as long as the quotes are no more than two weeks old.

### **Reporting**

Section 140 of the Local Government Act 1999 requires that councils review their investments annually. Each year a report will be prepared for the Corporate Services Committee which summarises the performance of each investment and the performance of the investment portfolio as whole for the previous financial year.

All reports are to account for investments in accordance with the provisions of Accounting Standard AASB132 Financial Instruments – Presentation; AASB7 Financial Instruments: Disclosures, AASB9 Financial Instruments and AASB139 Financial Instruments: Recognition and Measurement. Annual averages are to be calculated by using the weighted average of end of month balances.

The Reserve Bank of Australia cash rate will be used as an external benchmark to compare the performance of the Council's investment portfolio.

#### **4. Definitions**

N/A