



Colac Otway  
SHIRE

## COUNCIL POLICY

<b>Council Policy Title:</b>	<b>Investment</b>
<b>Council Policy ref. no:</b>	16.3
<b>Responsible Department:</b>	Corporate and Community Services
<b>Date of adoption/review:</b>	27 February 2019

### 1. INTRODUCTION

#### 1.1 Objectives

The purpose of this policy is to ensure that:

- Council funds are preserved;
- Council maximises the return on surplus funds, taking into consideration the level of risk; and
- Council funds are invested in accordance with its legislative and common law responsibilities.

#### 1.2 Legislative Power

Investment of Council funds is to be in accordance with Council's power of investment under the *Local Government Act 1989* – Section 143.

#### 1.3 Prudent Person of Business

All investments are to be made exercising care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons. When acting under the provisions of this policy Council staff should always maintain a professional balance of risk and return and act as a steward of Council funds.

#### 1.4 Delegation of Authority

The Chief Executive, the General Manager Corporate Services, the Manager Financial Services and the Finance Co-ordinator have the delegated authority to invest surplus funds.

Authority to undertake any investment must be obtained from a minimum of two (2) authorised officers.

## 2. POLICY

### 2.1 Approved Investments

Without approval from Council investments are limited to:

- Interest bearing deposits with Australian owned banking institutions; and
- Government bonds issued by the Commonwealth of Australia or an Australian State subject to the following expenditure limits.

### 2.2 Investment Limits

Council will invest with an Australian Prudential Regulatory Authority (APRA) regulated Authorised Deposit Taking Institution (ADI) with credit ratings outlined in Table 1.

Investments shall not be made in building societies, credit unions, managed funds investing in equities, future markets, property or shares.

**Table 1**

Minimum Credit Rating						Maximum percentage of total funds held in a single institution*	Maximum term to maturity
Long Term			Short Term				
S&P	Moody's	Fitch	S&P	Moody's	Fitch		
AA-	Aa3	AA-	A-1+	P-1	F1+	75%	12 months
A-	A3	A-	A-1	P-1	F1	40%	12 months

*\*with the exception of the Council's primary transactional account holding institution (as per tender)*

Higher rated institutions represent a lower risk level. As such if at any point during an investment the institution's credit rating is downgraded below the acceptable level, funds should be divested as soon as practicable.

In the case where an ADI is covered by a deposit guarantee, such as the Financial Claims Scheme (FCS), it is not necessary for the ADI to meet the minimum credit ratings set out in Table 1, providing the investment does not exceed the the guarantee limit.

### 2.3 Calculation of Maximum Holding (refer table above)

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 or the anticipated total of investments in 5 working days time.

### 2.4 Long Term Investments

Investments fixed for a period greater than 12 months are to be approved by the General Manager Corporate Services or Chief Executive.

## **2.5 Money to be Invested**

The bank account balance of Council is to be kept at a level no greater than is required to meet Council's immediate working capital requirements, with any surplus funds being applied to either reduce debt or invest. Any debt repayment, other than amounts specified in the adopted budget, must be approved by Council resolution.

## **2.6 Quotations on Investments**

No less than three quotations are to be obtained from authorised institutions whenever an investment is proposed. After taking into account all relevant factors, including the exposure limits set above, the quote which delivers the best value to Council shall be successful.

## **2.7 Valuation and Measurement**

All reports are to account for investments in accordance with the provisions of Accounting Standard AAS33 Presentation and Disclosure of Financial Instruments.

Annual averages are to be calculated by using the weighted average of end of month balances.

## **2.8 Reports**

A table will be included in the Quarterly Financial Performance Report for Council, which summarises the investment portfolio and compares year to date performance with budget and performance benchmark.

## **2.9 Register of Investments**

A register of investments will be maintained together with an investment file containing all letters of advice from financial institutions.

For audit purposes, certificates must be obtained from the banks/fund managers confirming the amounts of investment held on Council's behalf at 30<sup>th</sup> June each year.

## **2.10 Performance Benchmarks**

<b>Investment</b>	<b>Performance Benchmark</b>
Overall Portfolio	Average Return will aim to equal or exceed the Reserve Bank cash rate plus 0.35% over the year.
Cash/Direct Investments	Average 90 day Bank Bill index

## **3. COMPLIANCE**

The Finance Co-ordinator is responsible for ensuring the requirements of this policy are met.

Any breaches of this policy will be reported to the Audit Committee.

**4. RELATED LEGISLATION**

*Local Government Act 1989 – Section 143.*

**5. IMPLEMENTATION AND REVIEW**

This policy will be implemented by Council and is subject to review every 3 years.

**ADOPTED/AMENDMENT OF POLICY**

<b>Policy Review Date</b>	<b>Reason for Amendment</b>
27 July 2011	Adopted by Council
24 July 2013	Review
27 February 2019	Review