


## COUNCIL POLICY

Investment	<b>Adopted By Council:</b>	19/11/08	
	<b>Date/s Revised:</b>	18/10/11	
	<b>Next Review Date:</b>	12/13	
	<b>Document No:</b>	CP011	
	<b>Directorate:</b>	Governance & Community	
	<b>Responsible Officer:</b>	Senior Accountant	

### CONTEXT

The purpose of this Policy is to outline Council's approach to investment to ensure compliance with Section 143 of the Local Government Act and optimise the return on funds invested subject to an acceptable level of risk while ensuring Council can meet its obligations as they fall due through the effective management of working capital and liquidity maintenance.

### DEFINITIONS

**Ethical Investment:** Investments that recognise the good practice of institutions in social, environmental and economic impact

**Standard and Poor's Rating:** The credit rating applied by Standard and Poor's, a leading investment research company

**Moody's Investor Services:** A credit rating and research company

### POLICY

All Council investment will occur consistent with the following principles:

- Transparency
- Accountability
- Ethical Investment
- Effective returns
- Risk minimalisation

Investments will be made in compliance with the following:

#### 1. Risk

In order to protect the principal amount of council investments, funds will only be invested with institutions/products that maintain a minimum Standard and Pooors' rating of AA for long term investments and A-2 for short term investments (or Moodys Investor Services equivalents).

#### Standard & Poor's Ratings

The difference between short term and long term depends on the investment market. For the investment market it is reasonable to consider short term to mean anything less than 365 days.

#### Short Term

- A1+ Extremely strong capacity to pay
- A1 Strong capacity to pay

A2	Satisfactory capacity to pay
A3	Adequate capacity to pay
B	Speculative
C	Currently vulnerable to non-payment
D	Payment on an obligation due date is not made

#### Long Term

AAA	Extremely strong capacity to pay
AA	Very strong capacity to pay
A	Strong capacity to pay
BBB	Adequate capacity to pay
BB	Uncertainties or adverse conditions could lead to inadequate capacity to pay
B	Adverse conditions likely to impair capacity to pay
C	Vulnerable to default
C	High risk to default
D	Default

## 2. Returns

Council will aim is to optimise the return on funds invested subject to an acceptable level of risk. The return objectives are to ensure investment returns are to be equivalent to at least the average daily cash rate for the year.

## 3. Diversity

Council investments must be denominated in Australian dollars and be in accordance with s143 of the Local Government Act 1989, and will include but not be necessarily be limited to:

- Interest bearing deposits/securities issued by a licensed bank or building society.
- Local, State or Commonwealth Government bonds, debentures or securities.

Council should where practical, diversify investments into a number of types or with a number of institutions, where equivalent returns can be achieved. If equivalent returns are not available, diversification should not be undertaken at the expense of returns achieved.

Council will maintain all investments with the Australian Owned Banks.

#### Cessation of the Australian Government Deposit Guarantee after 12 October 2011

- Prior to 12 October 2011, Council will continue with the following investment structure currently used:
  - that up to a ceiling of \$1.0M of funds be held in a business account or in term deposits with the Bendigo Bank. That is, all combined balances are not to exceed \$1.0M.
  - that the remainder of Council's investment portfolio be invested in term deposits with either the NAB, ANZ, Westpac or the CBA with a maximum of \$1.0m to be invested at any one bank.
- Following on after 12 October 2011, Council officers may then invest surplus funds with the bank which provides the most competitive rates on the day, taking into account our required maturity dates for effective cash flow management.

## 4. Reporting

Investments and investment performance are to be reported to council quarterly as part of the Quarterly Financial report, which is also provided to the Audit Committee. In addition, monthly reconciliations are to be completed by Finance and made available to both internal and external auditors for review.

## 5. Review

This policy will be reviewed two years from the date of adoption. Council's Audit Committee will conduct the review and recommend any changes to full council.

**OTHER REFERENCES**

Local Government Act 1989

END