

## Investment Policy

*Yarriambiack Shire Council encourages a working environment which promotes gender equality and models non-violent and respectful relationships.*

### **1 Objective**

The purpose of this policy is to provide guidance for managing, investing and redeeming invested funds for the Council to responsibly invest the community's resources and maximise return, whilst managing risk and complying with the Local Government Act 2020.

### **2 Responsibility**

The Director Business Strategy and Performance and the Manager Corporate Services are responsible for the development and management of this policy.

### **3 Scope**

This policy covers the governance requirements for investing Council funds to maximise returns while managing risk and being compliant with the Local Government Act 2020.

### **4 Principles**

The principles that should be applied to all Council investment decisions:

#### **4.1 Funds for Investment**

Council must ensure that sufficient levels of funds are available for the payment of goods and services, payroll and other liabilities as they fall due for payment, as well as maintaining the purchasing power required to fund projects in the future as adopted in the Council budget.

Funds not required for the above commitments should be invested in a manner that balances both the responsibility of maximising earnings whilst managing the security and risk over Council's invested funds, so funds are secure and available when required.

#### **4.2 Cash Flow**

Prior to seeking quotes on investment options, Council must consider its cash position and its future outgoings, including creditor payments, payroll and other liabilities against incoming monies such as rates, grants and cash contributions. If it is deemed that Council will have excess funds following these outgoings for a sufficient period of time to invest (minimum 30 days) then these funds may be invested to maximise return.

#### **4.3 Credit Rating of Institution**

Council will consider the credit rating as set by Standard and Poors (or similar) of a financial institution and/or product prior to investment. (Refer to Appendix 1 for Standard and Poors ratings)

Council will only invest funds in short term investments with a credit rating of A1 or higher. For long term investments Council will only invest in products with a rating of A or higher. The ratings of A1 and A are given to institutions where they are considered to have a strong capacity to pay.

#### **4.4 Interest Rate**

Council will consider all factors including social, environmental and community benefit when deciding on an investment which may mean the highest rate is not always selected.

#### 4.5 Term of Investment

The investment portfolio is to be invested within the following terms to maturity constraints:

Overall Portfolio Term to Maturity Limits	
Portfolio % < 12 months (Short Term)	100% Maximum, 60% minimum
Portfolio % > 12 months < 36 Months (Long Term)	40% Maximum

#### 5 Types of Investments

In accordance with Section 103 of the Local Government Act 2020, Council will invest only:

- in Government securities of the Commonwealth; and
- in securities guaranteed by the Government of Victoria; and
- with an ADI; and
- with any financial institution guaranteed by the Government of Victoria; and
- 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.
- on deposit with an eligible money market dealer within the meaning of the Corporations Act; and
- in any other manner approved by the Local Government Minister, either generally or specifically, to be an authorised manner of investment.

#### 6 Authority to Invest

- The Revenue Coordinator, in consultation with the Manager Corporate Services has the discretion for the investment of funds with an investment term up to six months.
- Manager Corporate Services has the discretion for the investment of funds for an investment term of up to one year.
- Director Business Strategy and Performance has the discretion for the investment of funds for an investment term over one year.

#### 7 Collaboration

Council will collaborate where practical with other Councils and Public Bodies to take advantage of economies of scale, reduce risk and deliver community benefits for all participating collaborators.

#### 8 Supporting Documents

- Risk Management Manual
- Finance and Payroll Management Manual

External references

- Standard and Poors Credit Rating Agency -

#### 9 Definitions

Council	means Yarriambiack Shire Council, being a body corporate constituted as a municipal Council under the Local Government Act 2020.
Short term investment	Means any amounts invested less than 365 days
Long term investment	Means any investment with terms greater than 365 days.

## 9.1 Standard and Poor Investment Ratings

### 9.1.1 Short Term Investments

- A1+ – Extremely strong degree of safety regarding timely payment.
- A1 – A strong degree of safety.
- A2 – A satisfactory capacity for a timely payment.
- A2 - Satisfactory capacity to pay
- A3 - Adequate capacity to pay
- B - Speculative

### 9.1.2 Long Term Investments

- 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.

## 10 Consistency with Governance Principles Local Government Act 2020

Governance Principle	Section of policy where covered
(a) Council decisions are to be made and actions taken in accordance with the relevant law;	Section 5 – Types of Investments
(b) priority is to be given to achieving the best outcomes for the municipal community, including future generations;	Section 4 – Principles
(c) the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;	Section 4 - Principles
(d) the municipal community is to be engaged in strategic planning and strategic decision making;	Section 4 - Principles – linkage of the policy to the adopted budget and its community engagement.
(e) innovation and continuous improvement is to be pursued;	Section 5 – Types of Investments
(f) collaboration with other Councils and Governments and statutory bodies is to be sought;	Section 7 - Collaboration

<b>Governance Principle</b>	<b>Section of policy where covered</b>
(g) the ongoing financial viability of the Council is to be ensured;	Section 4 - Principles
(h) regional, state and national plans and policies are to be taken into account in strategic planning and decision making;	Section 5 – Types of Investments
(i) the transparency of Council decisions, actions and information is to be ensured.	Section 4 - Principles

In giving effect to the overarching governance principles, a Council must take into account the following supporting principles—

- (a) the community engagement principles;
- (b) the public transparency principles;
- (c) the strategic planning principles;
- (d) the financial management principles;
- (e) the service performance principles.

## 11 Policy Review

This policy will be reviewed in conjunction with its associated procedures every three years, and in accordance with the Local Government Act 2020, and supporting regulations requirements (if applicable).

## 12 Legislative Context

Section 101 Financial management Principles contained in the Local Government 2020 identifies that revenue, expenses, assets and liabilities, investments and financial transactions must be managed in accordance with a Council’s financial policies and strategic plans.

## Council Approved Policy

<b>Policy Adopted:</b>	Adopted – 23 October 2019	Minute Book Page
<b>Policy Reviewed:</b>	Reviewed – 22 February 2023	Minute Book Page