INVESTMENT POLICY

COUNCIL POLICY NUMBER	034
Date Adopted	16 August 2016
Scheduled for review	November 2017

PHILOSOPHY UNDERLYING THE POLICY

By reviewing Council's investment opportunities, to ensure that Council improves returns and the efficiency of its financial operations.

PURPOSE

To invest surplus funds that maximise Council's investment portfolio returns while observing the parameters set in this policy. Council's investment portfolio will reflect a conservative, risk adverse and income defensive approach to managing its investments, insuring secure income streams and capital protection.

POLICY IN EXPRESSED TERMS

1. FUNDS FOR INVESTMENT

Any Council funds not required for financial commitments are considered surplus and should be invested to generate interest revenue.

2. AUTHORITY FOR INVESTMENT

Investments of Council funds are to be in accordance with Council's power of investment under Local Government Act 1989 - Section 143.

Investment decision making is the responsibility of the Finance Manager, Financial Accountant, Management Accountant and General Manager Corporate Services, who will act within the Local Government Act 1989 and other relevant regulations.

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. The policy requires officers to disclose any conflict of interest to the General Manager Corporate Services.

Independent advisors are also required to declare that they have no actual or perceived conflicts of interest.

Any breach of this policy shall be reported to the Audit Committee and the General Manager Corporate Services.

3. AUTHORISED INVESTMENTS (Under Section 143)

Authorised investments include:

a. in Government Securities of the Commonwealth;
b. in securities guaranteed by the Government of Victoria;
c. with an authorised deposit taking institution;
d. with any financial institution guaranteed by the Government of Victoria;
e. on deposit with any eligible money market dealer within the meaning of the Corporations Act; and
f. in any other manner approved by the Minister after consultation with the Treasurer whether generally or specifically, to be an authorised manner or investment for the purposes of this section.

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4. GUIDELINES

In addition to the above statutory investment guidelines, the following guidelines are also recommended:

a. Council's own direct investments

1. Asset Quality / Credit Risk Exposure

The minimum and maximum available limits in each rating category and the counterparty limits with any one financial institution is shown in the below table. When placing investments, consideration should be given to the relationship between credit rating, interest rate, duration and strategy.

Long Term Credit Ratings Range (S & P or Equivalent)	S/T Credit Rating	Minimum Allocation %	Maximum Allocation %	C/party Limits %	Review Range %
AAA	A-1+	0	100	25	+ 10
AAA*	A-1+	0	100	-	-
AA+ to AA-	A-1+	0	100	25	+ 5
A+ to A-	A-1	0	50	15	+ 10
BBB+ to BBB-	A-2	0	25	10	+ 5
Unrated ADI's	A-3 or lower	0	5	5	+ 5

2. Term to maturity investments

The term to maturity of any Council direct investment may range from "at call" to five years.

3. Risk Management

Investments should not only take into account the typical risks including counterparty, diversification, liquidity, market, duration and capital risk, but also consider reinvestment risk. Reinvestment risk refers to the risk that short-dated maturing investments are reinvested in unfavourable terms (to the detriment of Council's income).

b. Council's investments with fund managers

1. Manager selection

Appropriate managers for Council's portfolio will be selected by the General Manager Corporate Services based on recommendations from the Finance Manager. Regular reviews will be undertaken to ensure their ongoing suitability and to monitor their performance.

2. Asset Quality / Credit Restrictions

The rating requirements for managed funds ensure that only funds with very high credit quality are invested in. (Minimum AA.)

3. Duration of investments

All managed funds investments will be made in only cash, cash-plus or fixed interest funds that are denominated in Australian dollar securities. The choice of fund type will depend on Council's investment time horizon, and their attitude to risk and return, eg. a cash fund (with a bank bill performance benchmark) suits a time horizon of 12 months, and long term fixed interest needs a 3-5 year time horizon.

The combined average weighted days to maturity and the overall volatility of any managed funds should be appropriate to Council's investment objectives and adhere to the volatility restrictions set out in Council's "Investment Strategy".

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4. Diversification

Investments with individual fund managers shall not exceed the following limits (excluding any investment specifically required by legislation, such as Long Service Funds).

$ Investment with individual fund managers	Maximum % of total portfolio
$0 - $1M	100%
$1M – $2M	75%
$2M - $4M	50%
> $4M	25%

c. General Policy Guidelines

1. Quotations on investments

Not less than three (3) quotations shall be obtained from authorised institutions (including financial institutions, brokers, dealers and various other market participants) whenever an investment is proposed. The best quote on the day will be successful after allowing for administrative and banking costs, as well as complying with the parameters set out in this policy.

In assessing quotations, additional consideration will be given to the following:

i. Community involvement is important and shows an institution's commitment to inclusion and sustainability. This can be shown through Community Stakeholder partnerships, Social Accountability Charters, philanthropic support to community organisations or the operation of sustainability committees. Accordingly, Council will give preferential treatment to those financial institutions that are active and supportive of Council within the community in terms of financial support for various activities and programs.

ii. In recognition of the support of the community, Bendigo Bank and its associated community branches within the Municipality, will be provided with a 0.05% per annum margin on quoted investment rates on all investment vehicles deemed appropriate under this Policy.

2. Authorisation of Investments

All new investments and rollovers of existing investments must be jointly authorised by any two of the following:

- General Manager Corporate Services
- Finance Manager
- Financial Accountant
- Management Accountant

3. Investing Procedures

As a general procedure the following must be undertaken when investing funds in accordance with this policy:

i. Calculate surplus funds to be invested taking into account future cash flows. This as a minimum would require assessment of payroll periods, creditor runs and revenue streams such as rates, VGC grants and debtors.

ii. Review other investment maturity dates, along with items noted in Step (a). Gauge the current maturity dates, and if possible plan to have new investments fall due before days when cash outflow will be high.

iii. Once the investment amount and maturity has been determined, review interest rates from various financial institutions attempting to maximise the return whilst ensuring compliance with the policy.

iv. Complete Investment Summary Form (Appendix A) and obtain appropriate authorisations.

v. Finalise arrangements with financial institution and process EFT.

vi. Place Investment Summary Form along with investment notification in investment folder.

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4. Credit Rating

Council should keep a current list of Short and Long Term paper ratings of all institutions, funds and fund managers being not more than six (6) months old. If any of the funds / securities held are downgraded such that they no longer fall within Council's investment policy guidelines, any security concerned will be divested within 30 days or as soon as is practicable.

5. Reporting

Accounting for investments will comply with Australian Accounting Standards and the Local Government Act 1989.

A report on investments showing values of investments and returns will be provided to the Internal Audit Committee on a quarterly basis.

6. The Role of the Audit Committee

To ensure separation of duties, the Audit Committee will:

i. Oversee the development and update of the Policy and its guidelines;
ii. Recommend to the Council modification to the Policy; and
iii. Monitor compliance with the Act.

7. Review of Investment Policy and Strategy

Council's Investment Policy and strategy will be reviewed once a year or as required in the event of legislative changes.

5. VARIATIONS TO POLICY

Any variations to this policy shall be approved by Council.

EXCLUSIONS

Nil

HUMAN RIGHTS

This report has considered and complies with the Human Rights and Responsibilities contained in the Victorian Charter of Human Rights and Responsibilities Act 2006.

DEFINITIONS

Short Term Rating	(0-365 days) refers to the institution's capacity to repay debt in the short term.	
	Examples of short term paper are Commercial Bills, Certificates of Deposit and 11am Deposits etc.	
	The short term rating order (as defined by S&P Australian Ratings) is:	
	A1+	extremely strong degree of safety regarding timely payment
	A1	a strong degree of safety
	A2	a satisfactory capacity for timely payment
Long Term Paper	is usually Semi-Government and corporate paper etc.	
	The rating order is:	
	AAA and AAA-	an extremely strong capacity to repay debt
	AA+ to AA-	a very strong capacity to repay debt
	A+ to A-	a strong capacity to repay debt

RELATED LEGISLATION

Local Government Act 1989
Australian Accounting Standards

ATTACHMENTS

Investment Summary Form

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REVIEW PERIOD	RESPONSIBLE OFFICER
One year	Finance Manager

APPROVAL HISTORY

Adopted	15 May 1996	**Minute Book Reference No**	1066 (Item 13.2)
Revised	10 September 1998	**Minute Book Reference No**	3038 (Item 13.1)
Revised	8 July 1999	**Minute Book Reference No**	3737 (Item 12.1)
Revised	12 September 2000	**Minute Book Reference No**	4658 (Item 12.1)
Revised	11 September 2001	**Minute Book Reference No**	5565 (Item 12.2)
Revised	13 August 2002	**Minute Book Reference No**	6305 (Item 12.1)
Revised	16 October 2007	**Minute Book Reference No**	11542 (item 9.1)
Revised	17 May 2011	**Minute Book Reference No**	17532 (item 13.8)
Revised	21 August 2012	**Minute Book Reference No**	1057 (Item 4.16)
Revised	20 August 2013	**Minute Book Reference No**	1041(Item 6.3)
Revised	19 August 2014	**Minute Book Reference No**	881 (Item 6.2)
Revised	18 August 2015	**Minute Book Reference No**	905 (Item 6.2)
Revised	16 August 2016	**Minute Book Reference No**	731 (Item 6.2)

Chief Executive Officer .....

Dated .....22/8/2016.....

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