
Investment Policy



August, 2020




Northern Grampians Shire Council
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Investment Policy



Council Policy

Responsible director

Responsible officer

Functional area

Date adopted by Council

Review date

Director Corporate Services

Manager Financial Services

Financial Services

August 2020

August 2024

Purpose

The purpose of the document is to set out guidelines for making decisions with respect to investing Council's surplus funds to ensure that investments:

- are made in accordance with s143 *Local Government Act 1989*
- are made to maximise return on Council's funds while maintaining an acceptable level of risk; and
- to ensure that sufficient funds are available to service Council's commitments.

Background

Annually Northern Grampians Shire Council has various investments totalling between \$1 million and \$5 million dollars. Council's investments must be made in accordance with section 143 of the *Local Government Act 1989* and while aiming to maximise return on investments. 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.

Policy

Basic Principles

There are some basic principles that should be applied to all investment decisions:

- Council's cash flow requirements
- Credit rating of investing institution
- Interest rate
- Term of investment

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.

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. (See Standard and Poors ratings below)

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.

Interest Rate

Council will consider all factors when deciding on an investment which may mean the highest rate is not always selected.

Term of Investment

The term of investment will be determined following consideration of Council's cash flow requirements.

Types of Investments

Council will invest only with Approved Deposit Taking Institutions (ADI) which includes banks, building societies and credit unions. Although permitted under section 143 of the *Local Government Act 1989* Council will not invest funds with managed investment schemes.

Investment Register

The Coordinator Financial Sustainability is responsible for maintaining the Investment Register. The Investment Register will be updated following each investment and be reconciled to the ledger monthly as part of the monthly balance sheet reconciliation.

The Investment Register will include:

- Investment date
- Type of investment
- Maturity date
- Term of investment
- Financial institution
- Amount invested
- Interest rate
- Interest received

Authority to Invest

The Coordinator Financial Sustainability, in consultation with the Manager Financial Services, has the discretion for the investment of short term funds, of up to six months. Investments between six months and one year are the responsibility of the Manager Financial Services, and investments made for periods over one year are the responsibility of the Director Corporate Services.

Prohibited Investments

This investment policy prohibits any investment carried out for speculative purposes including:

- Derivative based instruments
- Principal only investment or securities that provide potentially nil or negative cashflow
- Stand alone securities issued that have underlying futures, options, forward contracts and swaps of any kind
- Prohibits the use of leveraging (borrowing to invest) of an investment.

Standard and Poors Ratings Levels

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
- CCC Vulnerable to default
- CC High risk to default and expected default a virtual certainty
- C Highly vulnerable to nonpayment
- D Default

*The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Council Plan Objective/Strategy

Improve organisational effectiveness to ensure compliance with all Acts and Regulations relevant to Council.

Legislation and Standards

Responsibilities

The Director Corporate Services and Manager Financial Services are responsible for the development and management of the policy.

Stakeholders

Councillors, ELT and finance staff are directly affected by the policy; the Director Corporate Services and Manager Financial Services are responsible for implementation and compliance monitoring and must be consulted during development or revision of the policy and any associated procedures.

Review

Monitoring and regular assessment of the policy are necessary to ensure the policy remains current with the Council's goals, processes, aims and requirements.

Assessment of the policy will be undertaken every four years to align with the Council term to ensure it remains current with the Council's goals, processes, aims and requirements and as a means by which to reduce Council's exposure to risk. Triggers for an earlier assessment include legislative changes and introduction of new systems or procedures.

Communication and implementation

The policy will be communicated to Councillors and relevant staff and will be available in the EDRMS.

References

Local Government Act 1989 (Section 143)

Corporations Act 2001

Banking Act 1959 - Authorised Deposit Taking Institutions (ADI's)

Standard and Poors Credit Rating Agency

Privacy and Data Protection compliance

This policy considers the *Privacy and Data Protection Act 2014* and the *Victorian Protective Data Security (VPDSS) Framework* and the risk of unauthorised disclosure of personal information. Council's procedures and IT systems will be used to protect security across the domains of information, personnel, ICT and physical.

Gender Equality Act 2020

This policy considers relevant gender equality principles, workplace gender equality of rights, opportunities, responsibilities and outcomes and the promotion of gender equality in the policies, programs and services it delivers.

Charter of Human Rights compliance

It is considered that this policy does not impact on any human rights identified in the *Charter of Human Rights & Responsibilities Act 2006*.

Definitions

Nil

Review history

Date	Review details	Action
25/09/2008		Council Policy Adopted
January 2015	Policy reviewed and updated	Reported to Briefing 02/02/2015
August 2020	New section added for prohibited investments	

3 August 2020	Reported to Council	Adopted by Council