

INVESTMENT POLICY

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RELATED STRATEGIC DOCUMENTS, POLICIES OR PROCEDURES:	Financial Management Policy Employee Leave Entitlement Financing Policy Revenue and Rating Plan Annual Budget Financial Plan Cash Flow Analysis and Control Procedure Financial Reserves Policy
RELATED LEGISLATION:	Local Government Act 2020
EVIDENCE OF APPROVAL:	

Signed by Chief Executive Officer

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procedures\Policies - adopted PDF and Word\POL
Investment Policy v6 .docx

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This document is available in alternative formats (e.g. larger font) if requested.

1 PURPOSE

This policy provides guidance on the effective and responsible investment of Council's surplus cash funds, within legislative requirements, and sets out principles for investment decisions made by Council to manage financial security and risk while maximising the return on funds invested.

2 SCOPE

This policy applies to council staff involved in investing funds for Council. It applies to all bank accounts, investments funds and loan funds controlled by Council and administered through the Corporate Directorate and Financial Services Department.

3 POLICY

Any funds not required to fulfil short term operational commitments are considered surplus to immediate requirements and should be invested to generate higher interest revenue. Criteria for investments are set out in this policy.

3.1 Requirements of the Local Government Act 2020

The Local Government Act 2020 (The Act) governs the way in which Council may invest funds.

Section 101 of the Act outlines the principles of financial management as below:

- (1) The following are the financial management principles:
 - (a) revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans;
 - (b) financial risks must be monitored and managed prudently having regard to economic circumstances;
 - (c) financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community;
 - (d) accounts and records that explain the financial operations and financial position of the Council must be kept.
- (2) For the purposes of the financial management principles, **financial risk** includes any risk relating to the following:
 - (a) the financial viability of the Council;
 - (b) the management of current and future liabilities of the Council;
 - (c) the beneficial enterprises of the Council.

Section 103 of the Act outlines the principles upon which Council may invest money.

A Council may invest any money:

- (a) in Government securities of the Commonwealth; and
- (b) in securities guaranteed by the Government of Victoria; and
- (c) with an ADI (Authorised Deposit-Taking Institution) and
- (d) with any financial institution guaranteed by the Government of Victoria; and
- (e) on deposit with an eligible money market dealer within the meaning of the Corporations Act; and
- (f) 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.

3.2 Requirements of the Local Government (Long Service Leave) Regulation 2012

Local Government (Long Service Leave) Regulations 2012 determine entitlements with relation to Long Service Leave.

Council's position to ensure sufficient funds will be set aside to enable Council to meet all leave entitlements of Council staff is stated in the Employee Leave Entitlement Financing Policy.

These funds are to be invested in line with the investment guidelines stated in this policy.

3.3 Authorised institutions

Council will only invest funds with an authorised deposit taking institution as follows. These ratings and investment caps are measured at the time of placing the investment:

Long term credit ratings	Short term credit ratings
AAA to AA-	A1+
A+ to A-	A1
BBB+ to BBB-	A2

The authorised deposit taking institution must also be registered with APRA as an 'Australian-owned authorised deposit-taking institution' or a registered 'Foreign subsidiary bank'.

Council will ensure that when funds are available for investment, the following considerations will be taken into account in determining which banking institutions will be chosen:

- the best return is obtained (taking into consideration both financial and community benefit)
- exposure to any one individual authorised deposit taking institution is limited to a maximum of 40% of the amount invested by Council (for the purpose of this Policy, Bendigo and Adelaide Bank and Bendigo community banks are considered a single authorised deposit taking institution). This is measured at the time the investment is made with the institution.
- risk is managed by the spread of investments and ratings of the deposit taking institutions.

In recognition of the community benefit generated by the Inglewood & Districts Community Bank and other Bendigo and Adelaide Bank operations servicing the Loddon Shire, priority will be given to investing in those institutions on the proviso that the investment differential is no more than 0.2% below the highest of a minimum of three quotes obtained and subject to compliance with the other provisions of this policy.

3.4 Change in credit rating

If the credit rating of a deposit taking institution, in which Council currently has funds invested, is downgraded, then a risk assessment is to be undertaken. This assessment is to be reviewed by the Director Corporate and Manager Governance. If this assessment shows that the risk has been scored as a medium to high in likelihood, and or consequence, then the investment is to be divested as soon as possible in order to resolve the risk.

3.5 Liquidity assessment

Council Officers will need to provide evidence that shows sufficient liquidity exists prior to an investment decision is to be made.

This is achieved using:

- A projected cash flow table showing at least 45 days of positive cash flow, this includes:

- the estimation of payroll and payroll related items
- fortnightly creditor payment runs
- major plant and equipment timeframes
- compliance with major contractor invoicing timelines
- any current or long-term financing commitments
- minimum closing balance daily of \$400,000.
- a review of term deposit timelines ensuring between \$2,000,000 and \$4,000,000 is maturing each month.

3.6 Investment guidelines

Funds will only be invested for periods between 30 days and 2 years.

Approved investment options include:

- At call accounts
- Fixed term deposits
- Negotiable Certificates of Deposit
- Bank bills
- Promissory notes
- Bonds
- Floating Rate Notes
- Floating Rate Certificates of Deposit.

When making a decision around the type of investment suitable, the restriction, length of investment, associated fees, and availability of staff to investigate and implement will be taken into consideration. At least three quotes outlining a range of term deposit choices will be obtained from authorised deposit taking institutions. Where a broker is used, quotes received from only one other authorised institution is required.

Individual investment transactions are to be no more than \$2,000,000, with the exception of the Leave Entitlements investment which is to be a single investment.

The Instrument of Sub-Delegation by the CEO (S7 and S7A) outlines who has the power to authorise the investment of money in accordance with Section 103 of the Act.

The Levels of Authority Delegations outlines who has the power to transfer funds to a deposit taking institution.

Any proposal to transfer funds to an investment account must be in line with the Levels of Authority delegations.

The register of investments will be maintained by the Finance Department and reported in relevant Council and internal management reports where required.

3.7 Investment process

The following internal controls are in place to protect Council when sourcing and processing investments:

- Manager Financial Services or Financial Accountant will source and compile the required information and complete the recommendation to invest
- Proposal to be presented to the Director Corporate (or CEO in their absence) for review and approval
- On signature, the investment will be placed with the relevant institution

- The electronic bank transfer information will be provided and processed by an administration officer who has entry only access
- Further two staff with authorisation access will approve the transfer.

3.8 Investment reporting

The register of investments is to be updated on the initialisation and finalisation of any investment. This register is used to determine timing for future investments along with the calculation, and associated journals necessary to report accrued income. This is to be undertaken at the end of each month.

This register is included within the quarterly finance report, which is reported to the Management Executive Group, Audit and Risk Committee and Council.

3.9 Record keeping

Investment confirmations are to be received from the authorised deposit taking institution within 24 hours of placing the investment. The rates and period of investment need to be confirmed at this point.

All paperwork, including the proposal to invest, signed approval form and confirmation are to be kept on file and will be scanned and registered into LCM at the closure of the term deposit.

4 HUMAN RIGHTS STATEMENT

It is considered that this policy does not impact negatively on any rights identified in the Charter of Human Rights Act. Loddon Shire Council is committed to consultation and cooperation between management and employees. The Council will formally involve elected employee Health and Safety Representatives in any workplace change that may affect the health and safety of any of its employees.

5 REVIEW

The Manager Financial Services will review this policy for any necessary amendments no later than 4 years after adoption of this current version.