EAST GIPPSLAND
SHIRE COUNCIL

Investment Policy

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1. Purpose

To provide a framework to ensure East Gippsland Shire Council (Council) optimises its return on investment of funds (funds) which are surplus to immediate cashflow requirements of the day-to-day operation of Council, while mitigating its exposure to risk.

The Policy objectives are to ensure that:

- Investment decisions are based on the security of funds by limiting unnecessary exposure to risk.
- Return on surplus funds is maximised through prudent investment while limiting unnecessary exposure to risk.
- Sufficient funds are available to meet daily operational cash requirements.
- All Council investments comply with section 103 of the *Local Government Act* 2020 and relevant regulations and Ministerial Guidelines.
- Effective internal controls exist to minimise the risk of misappropriation of Council funds.
- All investment transactions are appropriately authorised and documented.

2. Scope

This Policy applies to the investment of all funds held by Council, including Bonds, Retentions, Specific Reserves and funds held in trust.

3. Context

Council's Investment Policy is a key financial management document that provides clear directives for the investment of surplus cash while minimising the risk to Council of any investment decisions made.

4. Statement

The investment of Council's funds and cash management will comply with the following conditions and Investment Framework.

Council's cash management and investments must also comply with:

- Section 103 of the *Local Government Act* 2020;
- Australian Accounting Standards; and
- Ministerial Guidelines.

4.1 Investment Framework

All investments must comply with the following framework. Percentage limits adopted within each of these frameworks are based on Council's total investment portfolio balance.

Portfolio Credit Framework

The maximum percentage of total funds that can be invested in each Standard and Poor's (SPs) rating category at any one time is as follows:

Long Term Rating	Short Term Ratings	Maximum Percentage of Portfolio
AAA to AA-	A1+	100%
A+ to A-	A1	80%
BBB+ to BBB-	A2	50%

(e.g. A maximum of 80% of total investments can be in A1 rated institutions.)

Financial Institution Framework

Financial Institutions will be restricted by their SPs credit rating so that single entity exposure is limited to a maximum percentage of the total funds as detailed below:

Long Term Rating	Short Term Ratings	Maximum Percentage of Portfolio
AAA to AA-	A1+	50%
A+ to A-	A1	30%
BBB+ to BBB-	A2	20%

(e.g. A maximum of 50% of total investments can be held by an institution with an A1+ rating)

Term to Maturity Framework

The investment portfolio is to be invested within the following terms to maturity constraints. The percentages represent the maximum percentage of total funds invested for each maturity term by each SPs rating classification.

Long Term Rating	Short Term Ratings	Short Term (0-6 months)	Medium Term (6-12 months)	Long Term (1-5 years)
AAA to AA-	A1+	100%	70%	20%
A+ to A-	A1	80%	50%	15%
BBB+ to BBB-BBB-	A2	60%	30%	10%

(e.g. If 100% of total investments of $10 million was with A1+ rated institutions then a maximum of $2 million could be invested for a period greater than 1 year, a maximum of $7 million for 6-12 months and the balance of $1 million would be invested for 0-6 months).

When assessing the term of investments, especially with regard to long term investments, Council's short and medium-term forecast cash requirements should also be considered to ensure that Council has sufficient funds to meet day to day cash requirements and cash reserves are available to help cover unforeseen events.

Currency

Investments to be denominated in Australian dollars.

Authorised Investments

All funds must be invested with an Australian Prudential Regulatory Authority Authorised Deposit-Taking Institution and comply with section 103 of the *Local Government Act* 2020.

Council endorses the following investment types:

- Bank accepted / endorsed bank bills
- Bank negotiable certificates of deposit
- Bank interest bearing deposits
- Authorised deposit taking institutions
- Government securities of the Commonwealth
- Securities guaranteed by the Victorian Government
- Treasury Corporation of Victoria interest bearing deposits

Change in Credit Rating

In the event of the SP's credit rating of one of Council's investments being downgraded such that it no longer falls within the Investment Policy guidelines, it will be divested at maturity or immediately, whichever is deemed most appropriate by General Manager Business Excellence.

Cash Management

For day-to-day cash management purposes, Council must have cash liquid investments of at least $1,000,000 available at any time. Liquid investments comprise:

- Overnight cash deposits with authorised financial institutions that must be banks; and
- Bank bills endorsed or accepted by authorised financial institutions that must be banks.

Funds available for investment will be determined following a review of expected future cash flows taking into consideration the timing of future investment maturities.

Shares

Trading in shares is not an approved investment option. However, Council may hold shares in associated entities as part of its long-term investment portfolio, as approved by the Chief Executive Officer.

Investment Approval

A minimum of three quotations must be sought from approved financial institutions before investing or reinvesting funds.

Managed Funds

Council will not invest in Managed Funds.

Ethical Investment

Ethical investment is a broad-based approach to investing that considers society, the environment and governance, along with financial performance.

Council strives to be a socially responsible and ethical investor in making any investment in an individual financial institution. The ethics of a financial institution that Council invests funds in must be in line with Council's related policies and strategies such as Council's Environmental Sustainability Strategy.

The ways Council can support ethical investment include:

- Investment in locally based financial institutions

Council can invest in local financial institutions in the interests of assisting viability and economic development of the small communities located in the East Gippsland Shire. Any change in locally based financial institutions investments will be reported to a Councillors' discussion session in a timely manner.

- Investment in Green, Social or Sustainability funds

Council can invest funds in green, social or sustainability funds within the Financial Institution Framework, Terms to Maturity Framework and Authorised Investments set out in this Policy.

5. Roles and Responsibilities

The following teams or positions have direct and/or supporting responsibilities associated with this Policy:

Position	Roles and Responsibilities
Audit and Risk Committee	Review Investment Policy and investment reports and provide recommendations as appropriate to Council and Council officers.
Finance Officer	Day to day management of investment funds.
Financial Services Coordinator	Responsible for the daily monitoring of cash and investments and for meeting the requirements of this Policy. Monitor investment credit ratings and report to Manager Finance and General Manager Business Excellence.
General Manager Business Excellence	Overall responsibility for Policy implementation. Approve actions as a result of changes in credit rating.
Manager Finance	Responsible for the review, regular updating and implementation of the Policy and reporting to the Executive Leadership Team, Audit and Risk Committee and Council. Approval of placement of funds in accordance with the Instrument of Delegation Chief Executive Officer to staff.

6. Definitions

Term	Meaning
APRA	Australian Prudential Regulation Authority – the prudential regulator of the Australian financial services industry.
Council	East Gippsland Shire Council.
Council Officer	Member of East Gippsland Shire Council Staff.
Financial Institutions	Banks and other regulated deposit taking organisations.
Framework	A set of ideas, principles, agreements, or rules that provides the basis or outline.
Investment Portfolio	A collection of investments.
Standard and Poor's	International credit rating agency – rating used to assess credit risk.

7. Human Rights

Council is committed to upholding the Human Rights principles as outlined in the *Charter of Human Rights and Responsibilities Act* 2006 (the Charter). This Policy has been assessed as compliant with the obligations and objectives of the Charter.

8. Gender Equality

This Policy has considered the *Gender Equality Act* 2020 in its preparation and has been assessed as not requiring a Gender Impact Assessment.

9. Risk Reference

This Policy is implemented as a control to mitigate risks in the following categories:

Risk Category	✓	Risk Category	✓
Environmental		Technology and Information Management	
Health and Safety		Assets, Facilities and Security	
Project, Product and Service Delivery		Human Resources	
Financial and Economic	✓	Procurement	
Leadership and Political Awareness		Corporate Governance and Compliance	
Reputation and Corporate Image		Legal	

10. References and Supporting Documents

10.1 Applicable Legislation:

Local Government Act 2020 (section 103)

10.2 Applicable Policy and Procedure:

Nil

10.3 Supporting Documents:

Council Plan 2021 – 2025 – Strategic Objective 5
A transparent organisation that listens and delivers effective, engaging and responsive services:

- 5.5 Resources are managed to meet current and future needs and priorities

Standard and Poor's Credit Ratings: www.standardandpoors.com/home/en/au

Australian Accounting Standards

Ministerial Guidelines

11. Review and Revision History

Version Number	Date Approved	Approved By	Review Summary
1	18/07/2011	Management / Audit Committee	
	15/10/2013	Audit Committee	
2	19/11/2013	Council	
3	01/03/2016	Council	
4	06/06/2017	Council	
5	04/09/2018	Council	Minor administrative changes
6	06/08/2019	Council	Officer titles
7	29/11/2022	Council	Minor administrative changes – Updated Council Plan reference Updated *Local Government Act* 2020
8	10/09/2024	Council	Updated to include section on Ethical Investment

11.1 Administrative Updates

Minor amendments to this document may be required from time to time. Where amendments do not materially alter the intent of a document, they will be made administratively and approved by the Document Owner.

11.2 Document Control Disclaimer

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