



Policy

14

INVESTMENT

Strategic Outcome:	CL. Our Civic Leadership	
Policy type	Statutory	
Date of Adoption:	20 November 2024	Minute Number:
Date for Review:	19 November 2025	
Responsible Officer:	Director Corporate Services	
Document Control:	Replaced the Investment Policy adopted 15 November 2023	
Delivery Program Link:	CL.2 Manage people, assets, resources, and risks responsibly to support the Council's ongoing viability and maximise value for money for ratepayers.	

1. POLICY STATEMENT

In order to meet future financial commitments, Berrigan Shire Council retains cash that it has no plans to spend in the immediate future. To make better use of this cash and to retain its future value, the council will invest these spare funds – in line with legislation and other legal requirements.

This policy is made under section 625 of the *Local Government Act 1993* (the Act) and in accordance with the Ministerial Investment Order published in the Government Gazette of 12 February 2011 and Office of Local Government Circular 17-29.

2. PURPOSE

The purpose of this policy is to provide a framework for the investing of council's funds at the most favourable rate of interest available to it at the time whilst having due consideration of risk and security for that investment type and ensuring that its liquidity requirements are being met.

While exercising the power to invest, consideration is to be given to the preservation of capital, liquidity, and the return of investment.

The council's *Financial Strategy 2022* commits the Council to the following action:



Policy

Look to improve investment returns while managing investment risk through a diverse and secure investment portfolio.

Council's 2022 risk appetite statement states:

*Council prefers safer options and is **Resistant** to taking, retaining or accepting risk. Council maintains a desire to only take on small amounts of adverse exposure, when necessary. Council is, however, cognisant of the fact that in certain circumstances it will be prudent to **Accept** risk exposures so long as there is a reasonable degree of protection*

While preservation of capital is the principal objective of the investment portfolio, council will look to improve its returns inside its statutory and prudential obligations

Investments are to be placed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit, interest rate and reinvestment risk within identified thresholds and parameters.

Investments should be allocated to ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring the risk of significant costs due to the unanticipated sale of an investment. Council will also identify funds that are not required for an extended period and invest these for longer terms if advantageous.

Investments are expected to achieve a market average rate of return in line with the Council's risk tolerance.

3. SCOPE

This policy applies to all council officers with responsibility for the investment of council's funds in financial instruments.

4. DEFINITIONS

Credit risk the risk that an institution or a product the council has invested in fails to pay the interest and/or repay the principal of an investment

Market risk the risk that the fair value or future cash flows of an investment will fluctuate due to changes in market prices

Liquidity risk the risk the council is unable to redeem the investment at a fair price within a timely period



Policy

Maturity risk	the risk relating to the length of term to maturity of the investment – the longer the term, the greater the length of exposure and risk to market volatilities
Reinvestment risk	the risk that future cash flows—either interest or the final return of principal—will need to be reinvested in lower-yielding investments
Preservation of Capital	the requirement for preventing losses in an investment portfolio’s total value (considering the time value of money)
Diversification	setting limits to the amounts invested with a particular financial institution or government authority to reduce credit risk
Liquidity	ensuring that funds are available in a timely manner to meet the Council’s cash flow requirements without the unanticipated, and potentially disadvantageous, sale of investment products
Financial instrument	any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

5. POLICY IMPLEMENTATION

5.1 Delegation of authority

Authority for implementation of the Investment Policy is delegated by council to the Chief Executive Officer in accordance with the *Local Government Act 1993*.

The Chief Executive Officer may in turn delegate the day-to-day management of council’s investments to the responsible accounting officer, or to other officers. This is subject to regular review.

Officers’ delegated authority to manage council’s investments shall be recorded in line with the council’s standard procedures regarding delegations.

Officers with delegated authority under this policy will be required to acknowledge they have received a copy of this policy and understand their obligations in this role.

5.2 Prudent person standard

The investment will be managed with the care, diligence and skill that a prudent person would exercise. As trustees of public monies, officers are to manage council’s investment portfolios



Policy

to safeguard the portfolio in accordance with the spirit of this Investment Policy, and not for speculative purposes.

5.3 Ethics and conflicts of interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio.

Councillors and officers are obliged to act in accordance with the council's code of conduct and comply with the Council's procedures for declaring gifts and actual or perceived conflicts of interest.

Independent advisors are also required to declare that they have no actual or perceived conflicts of interest. Dealings between the council and an independent advisor will be in line with the council's statement of business ethics.

5.4 Approved investments

Investments are limited to those allowed by the most current Ministerial Investment Order that has been issued by the NSW Minister for Local Government.

5.5 Prohibited investments

In accordance with the Ministerial Investment Order, this investment policy prohibits but is not limited to any investment carried out for speculative purposes including:

- Derivative based instruments;
- Collateralised Debt Obligations (CDOs);
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest).

5.6 Risk management

In accordance with the Council's Risk Management Policy and Framework, the council should minimise risks and encourage and promote transparency and good governance.



Policy

Risks will be assessed with resultant investment decisions authorised by the Chief Executive Officer, or in accordance with delegated authority.

Controls will be integrated into investment management strategies which recognise these risks:

- Credit risk
- Market risk
- Liquidity risk
- Maturity risk
- Reinvestment risk

When addressing these risks, the council and its officers will consider the following key principles:

- Preservation of capital
- Diversification
- Liquidity

In addition to employing controls to reduce counterparty risk, management and operational controls for corruption prevention will be employed, which include:

- Fraud control measures as identified in the council's Fraud Control Policy and associated plans.
- Compliance with the council's code of conduct
- The use of the council's gift and conflict of interest disclosure procedures
- Reference to the Internal Reporting Policy.
- Monthly reporting to the council
- External auditing

5.7 Investment advice

The council may, from time to time, appoint a consultant to provide independent advice on the council's investment strategy or on individual investment products. Independent advisors must be licenced by the Australian Securities and Investment Commission and must be appointed by resolution of the council.

The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended and is free to choose the most



Policy

appropriate product within the terms and conditions of the investment policy. This specifically excludes the appointment of advisors that receive commissions from providers of investment products likely to be reviewed or recommended.

The independent advisor is required to provide written confirmation that they do not have any actual or potential conflicts of interest in relation to the investments they are recommending or reviewing, including that they are not receiving any commissions or other benefits in relation to the investments being recommended or reviewed.

5.8 Measurement

The Council will measure and report on its investments to the council on a market value basis. The market value is to be assessed at least once a month to coincide with the monthly Investment Report.

For the purpose of the annual financial statements, investments will be valued in line with Australian Accounting Standards and the Local Government Code of Accounting Practice and Financial Reporting.

5.9 Benchmarking

Performance benchmarks can be established and should be based on sound and consistent methodology. When determining benchmarks, consideration should be given to the Council's risk profile and liquidity requirements.

Benchmarks will be determined by the Council on an as-needs basis but reviewed no less than annually as part of the Council's budget process.

Performance against benchmarks will be included in a monthly report to the Council.

5.10 Reporting and reviewing investments

Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.

The documentary evidence must provide Council legal title to the investment.

Certificates must be obtained from the financial institutions confirming the amounts of investments held on the Council's behalf as at 30 June each year and reconciled to the Investment Register.



Policy

All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis.

A monthly report will be provided to Council. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date and changes in market value.

6. RELATED LEGISLATION, POLICIES AND STRATEGIES

6.1 Compliance

- [Local Government Act 1993](#)
- Local Government (General) Regulation 2021
- Ministerial Investment Order
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards
- Office of Local Government Circulars

6.2 Relevant Council documents

- Long Term Financial Plan
- Financial Strategy 2022
- Fraud Control Policy
- Fraud Control Plan
- Risk Management Policy and Framework
- Code of Conduct
- Internal Reporting Policy
- Statement of Business Ethics

7. RECORDS MANAGEMENT

All Records must be kept in accordance with council's Records Management Policy and destroyed as per the General Retention and Disposal Authority: Local Government Records (GA39).

8. REVIEW AND EVALUATION

This Investment Policy will be reviewed by the council no less than annually. It will also be reviewed as required in the event of legislative changes.



Policy

The Investment Policy may also be amended as a result of other events that provide the Council with opportunities that are to the advantage of the council and in the spirit of this policy.

Any amendment to the Investment Policy must be by way of council resolution.

9. DOCUMENT AVAILABILITY

This policy will be available for inspection at council's principal office during ordinary business hours as per the requirements of section 18 (c) of the *Government Information (Public Access) Act 2009* and section 167 of the *Local Government Act 1993*.

Access to the policy in digital format is free and is available on council's website <https://www.berriganshire.nsw.gov.au/>

Printed copies of the document are available at Council's principal office (address noted below) and are subject to council's fees and charges.

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10. VERSION CONTROL

Version Number	Date	Summary	Responsible Officer
11.0	16-11-2022	Annual Review	Finance Manager
12.0	15-11-2023	Annual Review	Finance Manager
13.0	20-11-2024	Annual Review	Finance Manager