

## PURPOSE

The purpose of this Policy Statement is to outline the objectives and approach that Wodonga Council (the council) will adopt in the treasury management process to enable the council to optimise the return on funds invested, subject to an acceptable level of risk and allowing for appropriate levels of ethical, environmentally friendly and/or socially responsible investments.

## OBJECTIVES

The objectives of this policy are to:

- Undertake the conservative investment of working capital, long service leave and other available funds, with respect to the time horizon required for use of these funds;
- Optimize, as opposed to maximize, the return on these funds within the risk profile of the council;
- Ensure that responsible investment principles, incorporating environmental, social, governance and ethical considerations have been used by ensuring a proportion of funds are held in investments with Responsible Investment Association Australasia members and/or investment products certified by them; and,
- Ensure the council's continued ability to meet its financial obligations in an orderly manner as and when they fall due, in both the short and long term, and through active liquidity and working capital management.

## SCOPE

This policy applies to all investment activities undertaken by the council.

## POLICY

### Risk Tolerance

In order to protect the principal amount of council investments, funds will only be invested with institutions/products, and with a minimum Standard and Poors' rating of AA for long term investments and A-2 for short term investments (or Moodys Investor Services equivalents), thus ensuring a very strong capacity of the institution to meet its obligations.

### Return Objectives

Council will aim to optimise the return on funds invested subject to an acceptable level of risk and allowing for appropriate levels of ethical, environmentally friendly and/or socially responsible investments. The return objectives are to ensure investment returns are to be equivalent to at least the cash rate – average daily cash rate for the year.

### Diversification

Council investments must be denominated in Australian dollars. Authorised investments must be in accordance with section 143 of the *Local Government Act 1989*, and will include but not necessarily be limited to:

- Interest bearing deposits/securities issued by a licensed bank, building society, but not credit unions.
- Local, State or Commonwealth Government Bonds, Debentures or Securities.
- Deposits in prescribed securities that either have a minimum long term credit rating of AA or short term rating of A-2 from Standard & Poors' or Moodys Investor Services equivalents.

Direct investments in companies that do not meet environmental, social, governance or ethical standards, including (but not limited to) fossil fuel, tobacco, alcohol and gaming companies, are not permitted.

Council should where practical, diversify investments into a number of types or with a number of institutions, where equivalent returns can be achieved. If equivalent returns are not available, diversification should not be undertaken at the expense of returns achieved, unless to ensure some funds are held in ethical, environmentally friendly and/or socially responsible investments.

Derivative instruments are not to be entered into without the specific transactional based approval of Council.

### Reporting to Council

Investments and investment performance is to be reported to council at its monthly financial briefing, quarterly at each Audit Committee meeting and annually to a public council meeting as part of the end of financial year report.

### ATTACHMENTS

Nil

### RELATED POLICIES

Nil

## RELATED LEGISLATION

*Local Government Act 1989* (section 143)

## REVIEW

Council may review this policy at any time but unless otherwise requested at least every four years from date of adoption. Minor amendments to the policy may be authorised by the CEO at any time where such changes do not alter the substance of the policy eg: typographical errors, a change to the name of a related policy, or a change to the name of legislation.

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