

**3.1 INVESTMENT POLICY UPDATE**

(FIN3: YN:DW)

Responsible Senior Officer: Danny Wain, Chief Financial Officer

**RECOMMENDATION**

*That Council adopts the revised Investment Policy, dated June 2021 as attached, the updated Investment policy only includes :*

- a) The reference to the provisions of the new Local Government Act 2020*

**BACKGROUND**

Monash has had an Investment Policy in place which accords with the investment restrictions contained within Accounting Standards and the *Local Government Act 2020* (the Act). The provisions contained within the Act s103 state:

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 authorised deposit-taking institution<sup>1</sup>; 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 after consultation with the Treasurer either generally or specifically, to be an authorised manner of investment for the purposes of this sub-section.”

**DISCUSSION**

The intent of this Policy is to outline Monash City Council’s investment strategy and to provide guidance on various matters to be considered when investing surplus funds, with the objective of maximising earnings within approved risk guidelines and ensuring security of funds.

The Policy provides mandatory rules and specific guidelines for Council officers to follow in managing cash flow requirements and investing surplus/available funds for Monash City Council. This Policy provides a safeguard that investment management will conform to Council’s governance provisions including the

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<sup>1</sup> Authorised deposit-taking institution or ADIs include banks, building societies and credit unions.

appropriate delegations for approval of investments, management of conflicts of interest and regular reporting to Council.

- The Investment policy was updated in June 2018 following a Council decision on fossil fuel divestment and now includes provision for:
  - Council committed to adopt a positive screening approach for Council's investment with financial institutions by actively investing with fossil fuel free financial institutions within the parameters of Council's investment policy.
  - Council gives preference to fossil fuel free Authorised Deposit-Taking Institutions when making deposits if:
    - the rate of return on investment is greater than or equal to the rates of other Authorised Deposit-Taking Institutions which comply with Council's investment policy and are available at the time;
    - the financial institution and product is otherwise compliant with Council policy.
- Westpac (Council's banking services provider) now offer "green" investments at the same rate as the daily Deposit rates for a minimum 6mth term. It should be noted that a "green" investment it is not a "fossil fuel free" investment.
  - Green Tailored Deposits are a tailored term deposit certified by the CBI (Climate Bonds Initiative) against the Climate Bonds Standard, designed to enable investors to enjoy a tailored Fixed Rate for one period ('Fixed Term') and/or a Floating Rate – incorporating a spread over the BBSW rate or the RBA Cash Rate Target ('Reference Rate') – for another period ('Floating Term') of the deposit. These assets and projects can include renewable energy, low carbon transport, low carbon buildings, and water infrastructure.
- Bendigo Bank offers fossil fuel free investments (as at May 2021 Council has \$10M currently invested with Bendigo Bank).
- Council has no direct investment (or shareholdings) in any fossil fuel company or fossil fuel aligned company.
- Council investments reside in banks (ADI's).

The Policy is risk averse and also includes provisions related to the amounts that can be invested in each type of institution based on their credit rating.

### ***HUMAN RIGHTS & GENDER EQUITY CONSIDERATIONS***

Officers have conducted a review of the proposed Plan and determined that there are no implications arising from the *Charter of Human Rights and Responsibilities Act 2006*.

In meeting the requirements of the *Gender Equity Act 2020*, a review of the Investment Policy has been undertaken and any recommendations have been incorporated in the Plan.

***FINANCIAL IMPLICATIONS***

Interest earned on investments is an important source of Council's annual revenue (approx. \$330K in 2020/21). This policy guides the annual budget estimate process.

***CONCLUSION***

The revised Policy has been reviewed by the Chief Financial Officer and Manager Finance and recommended to Council for formal adoption.