

SOUTHERN REGION WASTE RESOURCE AUTHORITY (SRWRA)

(PO-11) INVESTMENT / BORROWINGS POLICY

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POLICY STATEMENT

1. Introduction

The Local Government Act 1999 (Schedule 2), introduced requirements for Local Government Subsidiaries to review and report on the performance of their investments and borrowings (if applicable). These requirements obligate the Officers who are responsible for Subsidiary funds to act with the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons and be aware of their responsibilities in relation to investments and borrowings.

2. Policy Objectives

This Policy will provide direction to management, staff and the Southern Region Waste Resource Authority (SRWRA) in relation to investments and borrowings, and establish an appropriate structure to ensure that:

- 2.1 SRWRA funds are preserved;
- 2.2 SRWRA maximises the return on surplus funds;
- 2.3 SRWRA funds are invested in accordance with its legislative and common law responsibilities; and
- 2.4 SRWRA complies with the requirements of the Local Government Act, 1999.

3. Investment Policy Statements

3.1 Approved Investments

Without approval from the Board investments are limited to:

- 3.1.1 Deposits with the Local Government Finance Authority and appropriate Tier 1 banks
- 3.1.2 Bank accepted / endorsed bank bills;
- 3.1.3 Bank negotiable Certificate of Deposits;
- 3.1.4 Bank interest bearing deposits; and
- 3.1.5 State / Commonwealth Government Bonds.

3.2 Risk Minimisation

All investment activities will be undertaken in a manner that minimises risk to SRWRA. In particular:

- 3.2.1 Board approval required for investments fixed for a period greater than 12 months.

- 3.2.2 Investment options limited to secure institutions. (refer 3.1.1)
- 3.2.3 There shall be appropriate reporting and monitoring of investments to the Board.
- 3.2.4 Funds must be invested in the name of the Authority and any redemption must be paid into the operating account of the Authority.

4. Nature & Scope of Investments

The Local Government Act 1999 (Schedule 2) requires the SRWRA Charter to define the scope and nature of any investment undertaken by the subsidiary.

The SRWRA Charter defines the Powers and Functions of the Authority under Section 1.6 and includes the following:

The powers, functions and duties of the Authority are to be exercised in the performance of the Authority's objects and purposes. The Authority shall have those powers, functions and duties delegated to it by the Constituent Councils from time to time which include but are not limited to:

- 1.6.1 *accumulation of surplus funds for investment purposes;*
- 1.6.2 *investment of any of the funds of the Authority in any investment authorised by the Trustee Act 1936 or with the Local Government Finance Authority provided that:*
 - 1.6.2.1 *in exercising this power of investment the Authority must exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other person; and*
 - 1.6.2.2 *the Authority must avoid investments that are speculative or hazardous in nature.*

5. Nature & Scope of Borrowings

The Local Government Act 1999 (Schedule 2) requires the SRWRA Charter to define the scope and nature of any borrowings undertaken by the subsidiary.

The SRWRA Charter defines the Powers and Functions of the Authority under Section 1.7 and includes the following:

- 1.7.1 *The Authority has the power to incur expenditure and/or to borrow money:*
 - (a) *in accordance with the approved budget of the Authority; or*
 - (b) *for the purposes of unbudgeted expenditure in accordance with (c) and (d) below; or*
 - (c) *pursuant to the provisions of subclauses 1.6.7 and 1.7.4 of this Charter; or*
 - (d) *with the prior approval of two-thirds of the Constituent Councils for amounts which do not exceed 25% of the value of the net assets of the Authority and with the prior approval of all the Constituent Councils for other amounts, which approval must be evidenced by formal resolution of the Councils, or*
 - (e) *otherwise for genuine emergency or hardship as provided for in the Act.*
- 1.7.2 *For the purpose of exercising the powers at Clause 1.7.1 of this Charter the Authority may borrow money from the Local Government Finance Authority or from a registered bank or financial institution within Australia.*
- 1.7.3 *For the purposes of Clause 1.7.2 but subject to Clause 1.7.4 of this Charter borrowings of the Authority:*

and

(a) *must not be used for the purpose of funding operational costs;*

(b) *where the borrowings are undertaken with the prior approval of the Constituent Councils, must be drawn down within a period of 24 months from the date of approval.*

1.7.4 *The Authority may operate an overdraft facility or facilities as required provided that the overdrawn balance must not exceed \$100 000 in total without the prior approval of two-thirds of the Constituent Councils*

Policy Review

This policy will be reviewed every 3 years and at other times if any significant new information, legislative or organisational change warrants an amendment to this document.