



Policy Title	Investment Policy
Policy Category	Operational
Number & Version	SVC-FIN-PO-067-08
Policy Owner	Chief Financial Officer
Approval by	Council
Effective date	28 December 2019
Date for review	First Year of each term of Council

1. STRATEGIC PURPOSE

This policy is to provide a framework for making decisions concerning appropriate investment of Council's funds. The policy also establishes a series of limits within which Council officers operate while investing Council monies.

In setting these limits Council's objective is to maximise returns while controlling the general level of risk that is acceptable for the monies managed on trust for the community.

2. POLICY STATEMENT

All investments are to be made in accordance with:

- Local Government Act 1993
- Local Government (General) Regulation 2005
- The Current Ministerial Investment Order
- NSW Trustee Act, 1925
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards Division of Local Government Circulars
- Office of Local Government Investments Guidelines

The key objectives for Councils investment activities are:

- To maximise returns from investment activities while exercising the care, diligence and skill that a "prudent" person would exercise when investing funds.
- To ensure Council has access to necessary cash resources to meet its obligations and operating costs.
- To minimise risks by diversifying across a range of investments.
- To invest within the legislative constraints imposed on investments via the Ministers Guidelines.
- To achieve or exceed budgeted investment revenue.
- To minimise idle cash and thereby maximise the returns on Councils total investable funds.

3. DEFINITIONS

Prudent Person – a hypothetical person used as a legal standard to determine whether someone acted with negligence

4. CONTENT

Prudent Person Standard

Council has a fiduciary responsibility when investing. Council's investments will be managed with care, diligence and skill that a prudent person would exercise. As trustees of public monies, officers are to manage Council's investment portfolios to safeguard the portfolio in accordance with the spirit of this Investment Policy, and not for speculative purposes.

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. This policy requires officers to disclose any conflict of interest to the Chief Executive Officer.

Authorisations and Delegations in Place

The Chief Executive Officer has authority to invest surplus funds in accordance with this policy and may delegate this function to the Chief Financial Officer.

Currency

All investments must be denominated in Australian Dollars.

Authorised Investments

- Investments made after the adoption of this Investment Policy are limited to those allowed by the most current Ministerial Investment Order issued by the NSW Minister for Local Government and include:
- Commonwealth/State/Territory Government securities e.g. bonds;
- Interest bearing deposits and senior securities issued by an authorised deposit-taking institution (ADI);
- Bills of exchange, (< 200 days duration), guaranteed by an authorised deposit-taking institution (ADI);
- Debentures issued by a Council (within the meaning of the Local Government Act 1993);
- Deposits with NSW Treasury &/or Investments in TCorp's Managed Funds; and
- Investments grandfathered under the previous Ministerial Investment Order.

Prohibited Investments

This investment policy prohibits any investment carried out for speculative purposes, including;

- Derivative based instruments;
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Standalone securities issued that have underlying futures, options, forward contracts and swaps of any kind.

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

Credit and Maturity Guidelines

Investments are to comply with three key criteria relating to:

- **Counterparty / Institutional Credit Framework:** limit exposure to individual institutions based on Their credit ratings;

- **Overall Portfolio Credit Framework:** limit overall credit exposure of the portfolio. And;
- **Term to Maturity Framework:** limits based upon maturity of securities.

(a) Counterparty / Institutional Credit Framework

Exposure to an individual institution will be restricted by their credit rating so that single entity exposure is limited, as detailed in the table below with the exception of Council's primary business banker which will be limited to a maximum of 30%.

Long Term Rating (Standard & Poors)*	Maximum Percentage of Total Investments
AAA	30%
AA or Major Banks ^	30%
A	20%
BBB	15%
Unrated NSW Treasury Corp Managed Funds	30%

*Or Moody's/Fitch equivalent

^For the purpose of this Policy, "Major Banks" are currently defined as the ADI deposits or senior guaranteed principal and interest ADI securities issued by the major Australian banking groups:

- Australia and New Zealand Banking Group Limited (ANZ)
- Commonwealth Bank of Australia (CBA)
- National Australia Bank Limited (NAB)
- Westpac Banking Corporation (WBC)

including ADI subsidiaries whether or not explicitly guaranteed, and brands (such as St George).

Council may ratify an alternative definition from time to time. Standard & Poor's ratings attributed to each individual institution will be used to determine maximum holdings.

In the event of disagreement between agencies as to the rating band ("split ratings") Council shall use the higher in assessing compliance with portfolio Policy limits, but for conservatism shall apply the lower in assessing new purchases.

** Whilst these funds are unrated they provide a high degree of capital security as all underlying investments are highly rated. In the case of Cash Fund these investments solely invest in minimum A1 short term and AA- long term rated investments and A2 short term and A long term in the case of the Strategic Cash Facility. They also provide Council with monthly income payments, diversification and quick access to funds.

If any of the Council's investments are downgraded such that they no longer fall within the investment policy, they will be divested as soon as practicable. A resolution of Council is required for the early termination of an investment where a potential loss of Capital is to be realised.

(b) Overall Portfolio Credit Framework

To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category. The maximum percentage of the total portfolio that can be held within any one credit rating category is as follows:

Long Term Rating (Standard & Poors)*	Maximum Percentage
AAA	100%
AA or Major Banks ^	100%
A	60%
BBB	30%
Unrated	15%
Unrated NSW Treasury Corp Managed Funds	30%

*Or Moody's/Fitch equivalent

(c) Term to Maturity Framework

The investment portfolio is to be invested within the following maturity constraints:

Investment Horizon Description	Investment Horizon	Minimum Allocation	Maximum Allocation
Working capital funds	0-3 months	10%	100%
Short term funds	3-12 months	0%	100%
Short-Medium term funds	1-2 years	0%	70%
Medium term funds	2-5 years	0%	50%
Long term funds	5-10 years	0%	25%

Liquidity Requirements

Liquidity refers to the minimum level of liquid funds available to finance day to day requirements. Cash flow must be monitored daily and Council will ensure that it has access to the required funds to meet liquidity needs.

Performance Benchmarks

Investment	Performance Benchmark
Cash	11AM
Fixed Interest Deposits/Floating Rate Note (FRN's)/NSW Treasury Corp	AusBond Bank Bill Index (BBI)Managed Funds

Reporting and Reviewing of 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.

All investments are to be appropriately recorded in Council's financial records and reconciled monthly to the General Ledger.

A monthly report will be provided to Council. The report will detail the investment portfolio in terms of investments currently held by Council, including the investments' maturity date and date investment taken out, interest rate return and the issuing institution.

Review of Investment Policy and Variation to Investment Policy

This Investment Policy will be reviewed in the first year of each term of Council.

The Chief Executive Officer or the delegated representative is authorised to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation.

All changes to this Investment Policy are to be reported to Council as soon as practicable with any amendments to the Investment Policy to ultimately be by way of Council resolution.

Audit Requirements

Council's external auditors will require independent certification from the relevant financial institutions (banks, fund managers, etc.) to confirm the balance of investments held on Council's behalf at the end of the financial year.

5. ASSOCIATED LEGISLATION

- Local Government Act 1993
- Local Government (General) Regulation 2005
- The Current Ministerial Investment Order
- Trustee Act, 1925
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards Division of Local Government Circulars
- Office of Local Government Investments Guidelines

6. ASSOCIATED COUNCIL DOCUMENTS

Financial Reserve Management Policy – SVC-FIN-PO-056

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Investment Policy

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Adopted: XXX
Reviewed: 03/03/2021

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7. 7 HISTORY

Date	Version Number	Activity log	Resolution Number	Resolution date
	e.g. 0	Amended by Shirley – Review		
10.12.2007	4	Amended by John Proctor – Review committee to review and refer to Council		
13.12.2007	4	Review committee referred to	M260	13.12.2007
23.7.2013	5	Review by DCCS and Finance	M191	26.9.2013
20.6.2016	6	Review by DFS and Finance	M63	30.6.2016
	7	Review by Director Internal Service & Division of Finance		
28.12.2019	7	Approved by Council. Adopted after Public Exhibition	M382/19	21.11.2019
XXX	8	Approved by Council. Adopted after Public Exhibition XXX	XXX	XXX