



## Policy 2211 - Investment Policy

### 1. Intent

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.

### 2. Scope

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

- Preservation of capital is the principal objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate 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.
- Investments are expected to achieve a market average rate of return in line with the Council's risk tolerance.

The policy reinforces Council's ongoing commitment to maintain a conservative risk/return portfolio.

All investments are to comply with the following:

- *Local Government Act 1993*;
- *Local Government (General) Regulation 2005*;
- *Ministerial Investment Order*;
- *Local Government Code of Accounting Practice and Financial Reporting*,;
- Australian Accounting Standards; and
- Division of Local Government Circulars.

The General Manager has the responsibility to manage and overview the Council investments ensuring the portfolio is maintained within Council's guidelines.

### 3. Guidelines

#### Delegation

Authority for implementation of the Investment Policy is delegated by Council to the General Manager in accordance with the *Local Government Act 1993*.

#### 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.

#### 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;

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) of an investment.

Investment decisions will not be made outside the bounds of this Investment Policy and Council will not be engaged in overly speculative investments.

#### Risk Management Guidelines

Investments obtained are to be considered in light of the following key criteria:

- 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;
  - All Term Deposit investments to be made with authorised deposit taking institutions (ADI) covered under the Australian Government Guarantee.
- Credit risk – the risk that a product that 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 an investor is unable to redeem the investment at a fair price within a timely period; and
- Maturity Risk - the risk relating to the length of term to maturity of the investment. The larger the term, the greater the length of exposure and risk to market volatilities.

**Investment Advisor**

The services of a suitably qualified and experienced investment advisor may be used for the purpose of achieving the aim of this policy.

Investment advisors engaged by Council must be licensed by the Australian Securities and Investment Commission. 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 appropriate product within the terms and conditions of the investment policy.

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.

**Quotations on Investments**

Not less than three (3) quotations shall be obtained from authorised institutions whenever an investment is proposed. The best quote on the day will be selected after allowing for administrative and banking costs, as well as having regard to the limits set later in this policy.

**Term of Maturity**

The term of maturity of any of Council's investments may range from "At Call" to five years at final legal maturity, unless specifically approved by Council.

**Performance Benchmarks**

Investment	Performance
Cash	11 am Cash Rate
Direct Investments	BBSW Rate – Avg Mid 90 day

**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 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 General Manager.

Independent advisors are also required to declare that they have no actual or perceived conflicts of interest.

**Monthly Reporting**

As Council continues to hold grandfathered investments such as Collateralised Debt Obligations (CDOs), the investment returns for the portfolio is to be regularly reviewed by an independent financial advisor by assessing the market value of the portfolio. The market value is to be assessed at least once a month to coincide with monthly reporting.

The monthly report to Council will include:

- A complete schedule of all Councils Cash and Investments
- Investment Income received in the current reporting year
- Indicative Market Valuations
- If appropriate, the rate of interest to be paid
- The Total Value of Council's portfolio
- Certification that the investments are in accord with the Act, regulations and Council's Investment Policy.

Council will maintain a Register of Investments that is publicly available.

### **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. 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.

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.

This Investment Policy will be reviewed at least once a year or as required in the event of legislative changes. The Investment Policy may also be changed as a result of other amendments that are to the advantage of Council and in the spirit of this policy. Any amendment to the Investment Policy must be by way of Council resolution.

Council's external auditors ensure independent certification to confirm the balances of Investments held by Council at the end of the financial year, as well as ensuring adequate internal controls.

### **Education**

Council is committed to providing training to ensure staff involved in managing council's investments is adequate to undertake their role.

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