



Draft Investment Policy

Policy	4B
Officer Responsible	Chief Financial Officer
Last Review Date	13/12/2023

Strategic Policy

1.1 Objectives

- (a) To undertake investment of surplus funds in a way that, firstly ensures the security of Council Funds and secondly maximises earnings from authorised investments.
- (b) To ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.

1.2 Definitions

Authorised Deposit taking institutions - financial institutions in Australia supervised by the Australian Prudential Regulation Authority (APRA) and authorised under the Banking Act 1959 (Cth) to accept deposits from the public.

Ausbond Bank Bill Index - formerly the UBS Bank Bill Index. The UBS Australia index family was acquired by Bloomberg from Q3 2014, and while branding changed the benchmark construction is unaltered. It represents the performance of a notional rolling parcel of bills averaging 45 days and is the widely used benchmark for local councils and other institutional cash investors.

Bank Bill Swap Rate - a short-term interest rate used as a benchmark for the pricing of Australian dollar derivatives and securities, most notably floating rate bonds.

Bills of Exchange - A bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer.

Debentures - a type of debt instrument that is backed only by the general creditworthiness and reputation of the issuer rather than being secured by physical assets or collateral.

Ministerial Investment Order - schedule of authorised investments approved for access by NSW Councils pursuant to Local Government Act 1993 section 625 by the Order of the Minister and published in the Government Gazette.

Responsible Accounting Officer - a member of the staff of the council designated by the General Manager, or if no such member has been designated, the General Manager. (LGGR, clause 196)

TCorp – New South Wales Treasury Corporation including the TCorp Investment Management arm which manages the TCorpIM funds (formerly Hour-glass).

Term Deposits (Deposits) - Funds invested with a financial institution at a predetermined rate that applies for the duration of the deposit. The

principal is held on deposit for a fixed term with interest payable at set periods during the term and/or on maturity. Increasingly banking regulation requires term deposits to be issued on “unbreakable” terms or at a minimum funds cannot be withdrawn for a minimum period of 31 days.

1.3 Legislative Requirements

All investments are to be made in accordance with:

- (a) Local Government Act 1993;
- (b) Local Government Act 1993 – Order (of the Minister) dated 12 January 2011
- (c) Trustee Act 1925;
- (d) Local Government (General) Regulation 2005;
- (e) Local Government Code of Accounting Practice and Financial Reporting;
- (f) Australian Accounting Standards; and
- (g) Office of Local Government Circulars.

1.4 Delegation of Authority

Authorised Officer	Roles & Responsibilities
General Manager	Authority to invest surplus funds and authority to delegate this function in accordance with the Council's adopted Investment Policy.
Director Corporate Services	Per Delegation
Chief Financial Officer (Responsible Accounting Officer)	Per Delegation
Accountant	Per Delegation

All delegated officers shall confirm in writing that they have received a copy of Council's current investment policy and that they understand the contents and their obligations as a delegated officer.

1.5 Authorised 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.

Council shall only invest money (on the basis that all investments must be denominated in Australian Dollars) in the following forms of investment:

- (a) any public funds or securities issued by or guaranteed by, the Commonwealth, any State of the Commonwealth or a Territory;
- (b) any debentures or securities issued by a council (within the meaning of the Local Government Act 1993 (NSW));

- (c) interest bearing deposits with, or any debentures or bonds issued by, an authorised deposit-taking institution (as defined in the Banking Act 1959 (Cwth)), but excluding subordinated debt obligations;
- (d) any bill of exchange which has a maturity date of not more than 200 days; and if purchased for value confers on the holder in due course a right of recourse against a bank which has been designated as an authorised deposit-taking institution by the Australian Prudential Regulation Authority;
- (e) a deposit with the New South Wales Treasury Corporation or investments in an TCorpIM Investment Fund of the New South Wales Treasury Corporation.

All investment instruments (excluding short term discount instruments) referred to above include principal and investment income (interest).

Council's preference will be not to invest in products subject to a fluctuating face value that upon redemption may result in the risk of loss of capital value of an investment.

1.6 Prudent Person Standard

The investments shall 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.

1.7 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.

If engaged, independent advisors shall also be required to declare that they have no actual or perceived conflicts of interest.

1.8 Prohibited Investments

This Investment Policy prohibits any investment carried out for speculative purposes including:

- (a) Derivative based instruments;
- (b) Principal only investments or securities that provide potentially nil or negative cash flow;
- (c) Stand alone securities issued that have underlying futures, options, forward contracts and swaps of any kind; and
- (d) Any investment acquired using leveraging to fund the purchase (borrowing to invest);
- (e) Any ADI disclosed in the below table as declared to be prohibited by resolution of Council:

<u>Prohibited ADI</u>	<u>Minute No.</u>	<u>Council meeting date</u>
AMP Bank	NMCU/15419	15/03/2021

1.9 Risk Management Guidelines

Investments are to comply with the following criteria:

- (a) Preservation of Capital - all reasonable measures are to be taken to prevent losses in portfolio value (considering the time value of money);
- (b) Institutional Diversification:
 - i. Not less than three (3) quotations shall be obtained from authorised institutions when an investment is proposed.
 - ii. Direct investments shall not exceed counterparty limits with any one institution at any one time as detailed below.
 - iii. All term deposit investments are to be made with authorised deposit taking institutions authorised under the Banking Act, 1959 and with an investment grade credit rating, excepting ADI's located within the local government area.
 - iv. The maximum holding limit in each rating category and the target credit quality weighting for Council's total portfolio shall be in accord:

Long Term Credit Rating (or Moody's, Fitch, S&P or Equivalent)	Total Portfolio Limits	Counterparty Limits
	Maximum	
TCorp IM Funds	100%	100%
AAA – A Category	100%	Lesser of \$8m or 40%
A- Category	40%	Lesser of \$3m or 20%
BBB+ Category**	25%	Lesser of \$1m or 10%
BBB Category**	5%	Lesser of \$500k or 5%
BBB- Category and below: Local ADI's - Reliance Bank*	10%	Lesser of \$1m or 10%
BBB- Category and below: Others	0%	-

*ADI's located within the Local Government Area

** BBB+ / BBB categories are not to exceed 25% collectively

- (c) Maturity Risk - the investment portfolio is to be invested within the following maturity constraints:

Long Term Credit Rating (or Moody's, Fitch, S&P or Equivalent)	Overall Portfolio Return to Maturity
	Maximum
TCorp IM Funds	Not applicable
AAA to BBB+ Category	3 Years
BBB Category	12 months

- (d) Market/Credit Risk - consideration shall be given to the risk that the fair value or the future cash flows of an investment will fluctuate due to changes in market prices, or the risk of failure to repay principal or pay interest on an investment;

(e) Liquidity Risk -

- i. Matching investments with cash flow requirements.
- ii. Ensure access is available within seven (7) days to at least \$1,000,000 or 10% of value of total investments, whichever is lesser.

1.10 Performance Benchmarks

The performance of the investment portfolio shall be against the industry standard 11am Cash Rate for cash investments, BBSW 90 Day Swap Rate for direct investments and the Ausbond Composite 2 – 5 year index for investments exceeding 2 years.

1.11 Safe Custody

Safe custodial arrangements shall be as follows:

- (a) Council must retain beneficial ownership at all times;
- (b) Council must be in receipt of documentation existence of investment;
- (c) The custodian must be the custodian nominated by TCorp for investment in TCorpIM Funds, or Austraclear, or an investment grade institution so rated by Standard and Poor's or Fitch.

1.12 Reporting and Responsibilities of Council Officers

- (a) The Responsible Accounting Officer shall be responsible for reconciling the investment register on a monthly basis and ensuring sufficient records are maintained, including:
 - a. the source and amount of money invested;
 - b. particulars of the security or form of investment in which the money was invested;
 - c. the term of the investment, and
 - d. if appropriate, the rate of interest to be paid, and the amount of money earned, in respect of money invested.
- (b) A monthly report shall be provided to Council, detailing the investment portfolio in terms of performance, investment institution and amount of each investment.
- (c) The report should also detail each average return percentage against the performance benchmark rates.
- (d) For audit purposes, certificates must be obtained from financial institution confirming the amounts of investment held on the Council's behalf at 30th June each year.
- (e) The documentary evidence must provide Council legal title to the investment.

1.13 Investment Advisor

Should Council engage an investment advisor, the advisor must be approved by Council and 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.

1.14 Grandfathering provisions

This Policy shall only apply to investments made from the date of Council adoption onwards.

1.15 Review of Investment Policy

This policy shall be reviewed annually by the Chief Financial Officer and any amendments, if necessary, shall be reviewed against investment requirements in the conditions of borrowing of TCorp, if applicable, and approved by resolution of Council.

End of Policy

Adopted:	14/10/2003	123
Last Reviewed:	11/10/2005	280
	14/05/2007	07/094
	09/08/2010	1008/04
	14/03/2011	1103/010
	08/08/2011	1108/004
	14/11/2011	1111/011
	12/11/2012	1211/014
	10/11/2014	1411/007
	17/09/2018	1809/010
	21/10/2019	1910/007
	15/02/2021	2102/017
	21/03/2022	2203/008
	13/12/2023	2312/004
Next Review:	17/03/2025	