



INVESTMENT POLICY AND PROCEDURES

Adoption Date: 24 June, 2020

Review Date: 28 June, 2021

Responsible Officer: General Manager

POLICY STATEMENT

This policy provides the framework in which council funds are to be invested. Council has developed this policy to ensure it or its representatives exercise the care, diligence and skill that a prudent person would exercise in investing council funds.

OBJECTIVES:

- To provide a framework for the investing of surplus Council funds at the most favourable rate of interest available whilst having due regard of risk and security for investments ensuring its liquidity requirements are being met.
- Whilst exercising the power to invest, consideration must be given to the preservation of capital, liquidity and the return on investment.
- Preservation of capital is the principal objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure the security and safeguarding of 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 investments.
- Investments are expected to achieve a market average rate of return in line with Council's risk management guidelines.

Council Policy Reference

Investment Policy and Procedures – June 2020

Related CMCC Policies

Financial Management Policy and Procedures

Purchasing Policy

Fraud Control Policy

Relevant Reference Documents/Policies:

Draft Investment Policy and Procedures – June, 2020

Statutory Requirements

Trustee Act 1925 (NSW)

Australian Accounting Standards issued by the Australian Accounting Standards Board

Government References

Local Government Act (1993) – Sections 12, 413 and 625

Local Government Act (1993) – Revised Ministerial Investment Order - 12 January, 2011

Local Government (General) Regulation 2005 – Clause 212

NSW OLG Investment Policy Guidelines – May, 2010

Local Government Code of Accounting Practice and Financial Reporting – Update 27 – 29 March, 2019.

NSW OLG Circulars relating to Investments 06/70, 08/48, 09/20,

Investment Guidelines

1. Authority for Investment

All investments are to be made in accordance with:

- Local Government Act 1993 – Section 625, Section 413 and Section 12
- Local Government Act 1993 – Revised Ministerial Investment Order dated 5th January 2016
- Local Government (General) Regulation 2005 – Clause 212
- Australian Accounting Standards issued by the Australian Accounting Standards Board
- Trustee Act 1925 (NSW) – Section 14

2. Delegation of Authority

The General Manager has the authority to invest surplus funds and may delegate this function to the Administrative Officer. All investments must be signed by two (2) signatories. The following officers have the authority to sign investments:

- General Manager
- Administrative Officer

3. Ministerial Order

The Minister for Local Government issued a revised order pursuant to Section 625 of the Local Government Act 1993 dated 5 January, 2016.

4. Prudent Person Standard

Council investments 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 portfolio to safeguard the portfolio in accordance with the spirit of this investment policy and not for speculative purposes.

5. Ethics and Conflicts of Interest

Council 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.

6. Forms of Investment

All forms of investment for the purposes of Section 625 (2) of the local Government Act 1993 are by Order of the Minister notifying forms of investment. A copy of the Investment Order is attached as "Annexure A".

7. Legislative Obligations

All investments are to be made exercising care, diligence and skill that a prudent person of business would exercise in managing the affairs of another person. Investments that are high risk, speculative or hazardous in nature are to be avoided.

8. Legislative Requirements

All investments are to be made in accordance with the provisions of the Local Government Act 1993, with particular regard to the following:

- The purpose of the investment
- The desirability of diversifying council investments
- The nature of and risk associated with council investments
- The desirability of maintaining the real value of the capital and income of the investment
- The risk of capital or income loss or depreciation
- The potential for capital appreciation
- The likely income return and the timing of income return
- The length of the term of the proposed investment
- The Period for which the investment is likely to be required
- The probable duration of the investment
- The liquidity and marketability of a proposed investment during, and on the determination of, the term of the investment
- The aggregate value of the assets of the council
- The effect of the proposed investment in relation to any tax liability
- The likelihood of inflation affecting the value of the proposed investment
- The costs (including commission, fees and charges) of making a proposed investment
- The results of any review of existing council investments
- Such other matters as appropriate

9. 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 investments
- Principal only investments or securities that provide potentially NIL or negative cash flow and
- Stand-alone securities issues that have underlying options, forward contracts and swaps of any kind.

10. Operational Requirements

- The working account balance of Council is to be kept at a level no greater than is required to meet Council's immediate working operational requirements except where the rate of return is comparable to the rate of return of other investments

- The Administrative Officer will notify the General Manager that excess funds exist in the working account or that an existing investment is due for maturity and funds are not required to meet Council's immediate working operational requirements
- The General Manager will authorise the Administrative Officer to investigate investment options

11. Quotations

- Three (3) quotations will be obtained from authorised institutions before making an investment
- The Code of Accounting Practice and Financial Reporting requires that Council maintains a separate record of these quotations
- All quotations are to be attached to the investment authorisation to be signed by the authorised signatories and filed in the Financial Investment Voucher Folder

12. Risk Management Guidelines

Investments are to comply with the following criteria:

- Preservation of capital – the requirement for preventing losses in an investment portfolio's total value (considering the time value of money)
- Institutional Diversification
 - Not less than three (3) quotations shall be obtained from authorised institutions when an investment is made
 - Individual investments shall not exceed \$500,000
 - The maximum amount to be held by any one (1) institution at any one time shall not exceed forty (40%) percent of the total portfolio at the time when the deposit was made
 - All term deposit investments are to be made with authorised deposits taking institutions covered under the Australian Government Guarantee
- Maturity Risk
 - The investment portfolio shall be invested within the following constraints:

OVERALL PORTFOLIO MATURITY		
Portfolio % < 1 Year	Minimum - 40%	Maximum – 100%
Portfolio % > 1 Year, < 3 Years	Minimum – 0%	Maximum – 60%
Portfolio % > 3 Years, < 5 Years	Minimum – 0%	Maximum - \$40%
Portfolio % > 5 Years	Minimum – 0%	Maximum – 10%

13. 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 of an investment.

14. Liquidity Risk

- Investment maturity shall correspond with cash flow requirements

- Access to a minimum \$100,000 or 5% of the investment portfolio is available within seven (7) days

15. Investment Register

The Code of Accounting Practice requires Council to maintain a separate record of money it has invested under Section 625 (2) of the Local Government Act 1993. The record must specify:

- Date the investment is made
- The amount of money invested
- Particulars of the security or form the money is invested
- Name of the institution
- Due date and term of the investment
- If available, the rate of interest to be paid
- The amount of money that the Council has earned, in respect to the money invested
- The investment number consisting of three digits/financial year (e.g. 123/19)
- When being rolled over, the investment being closed should refer to the new investment number. When the new investment is being made the investment number of the closed investment should be recorded

An Investment Register is held by Council both in hard copy and electronically. The Investment Register held in hard copy contains all information as above and any documentation relating to the investment and is maintained by the Administration Officer. An electronic copy of all investment information is to be filed in Council's records under Financial Management – Investments.

16. Financial Investment Voucher Folder

- The Financial Investments Voucher Folder is maintained and updated by the Administration Officer with all correspondence both inward and outward relating to the investment
- Each Investment will be allocated a section labelled with the investment number
- The section within the folder will contain all correspondence, confirmation of the term deposit/investment, coupon payment advices etc.
- All correspondence must be filed in Council's records under Financial Management – Investments

17. Maturity

Once an investment has matured the following may occur:

- Rollover the investment – if it is determined that the investment will be rolled over (taking into account Part 8 of this procedure), then the investment will be rolled over and issued with a new investment number. The interest paid and the new investment number will be recorded in the investment register under the number of the investment being rolled over. The new investment number will refer to the previous investment number.

- Redeem the investment - Interest paid, principal repaid will be recorded in the investments register.

18. Reports on Council Investments

The Responsible Accounting Officer (RAO) must provide Council with a written report detailing all money that Council has invested. The report must be made up to the last day of the month immediately preceding the meeting. The Information must be presented in accordance with Section 625 (2) of the Local Government Act 1993 and must be presented at each ordinary meeting of Council under the provisions of Clause 212 of the Local Government (General) Regulation 2005. This report must include a certificate as to whether or not the investment has been made in accordance with the Act, the regulations and Council's investment policy.

19. Independent Investment Advisors

- Any investment advisor or investment dealer acting on behalf of Council must be licenced with the Australian Securities and Investment Commission
- These third parties are expected to exercise the care, diligence and skill that a prudent person would exercise in managing the affairs of another person
- This procedure is to be presented to all third parties to ensure that they are delivering appropriately and complying with Council's requirements, including the Ministerial Investment Order
- The RAO should obtain written confirmation from independent financial advisors that they do not have any actual or potential conflicts of interest in relation to the investment they are recommending or reviewing including that they are not receiving any commissions or other benefits in relation to the investments they are recommending or reviewing
- Product manufacturers/distributors should be excluded from being appointed investment advisors to Council.

20. Withdrawal of Investments

- In the event that a credit rating of a security, company or body issuing the security falls below the minimum requirement, as set out in the Minister's Order, Council must make all necessary arrangements to withdraw the deposit as soon as possible
- In the case of existing securities excluded by a recently revised Investment Order, they are to be grandfathered. These investments become ultra vires under the new Investment Order and can continue to be held to maturity, redeemed or sold. Before disposing of these investments Council will seek independent financial advice by an independent investment advisor or dealer licenced by the Australian Securities and Investment Commission ASIC) (www.asic.gov.au).

21. Annual Review

Investment performance will be reviewed monthly and the outcomes will be reported to Council. The investment policy and procedures will be reviewed annually, or immediately following the release of any OLG Guidelines or Circulars aimed at assisting Councils in developing investment policy or procedures.

APPENDIX “A” – Ministerial Order

APPENDIX “B” – INVESTMENTS REGISTER

Investment Number	Date invested	Amount \$	Lodged With	Rate % per annum	Term	Due Date	Interest \$
Details							

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