

## 1 Policy History

Revision No.	Council Meeting Date	Minute No.	Adoption Date
1	01/12/1998	1094	01/12/1998
2	03/10/2000	P36	03/10/2000
3	11/06/2002	315	11/06/2002
4	14/01/2003	25	14/01/2003
5	24/01/2006	26	24/01/2006
6	24/02/2009	0057	24/02/2009
7	11/05/2010	0142	11/05/2010
8	27/01/2015	15/005	27/01/2015
9	13/02/2018	18/046	16/03/2018
10	14/06/2022	22/151	15/07/2022
11	13/06/2023	23/148	14/07/2023

## 2 Policy Objective

- To provide a framework for investment of Council's funds with a view to minimising the risk of loss of capital or interest and to ensure that Council's liquidity requirements today and going forward are satisfied. Having regard to these prime objectives, Council will seek to achieve the best rates of return available.
- To undertake investment of available funds in accordance with the latest Ministerial Order and Council's adopted Investment Strategy.

## 3 Policy Statement

### 3.1 Background

Cash revenues generated from investments can represent a significant contribution to the total annual income of Council and it is important that Council has clear policy guidelines on how and where funds can be invested as well as the optimum time frames over which to invest funds. The current Local Government Act 1993 – Investments Order (relating to investments by Council's) is quite explicit as to the types of institutions and investments with which Council can invest, there are nevertheless significant variations in the financial credit ratings, size and performance of these institutions, which allows Council considerable discretion on where it can invest its available funds.

This policy aims to:

- state the types of institutions with which Council can invest
- identify appropriate time frames for invested funds, and

- c) nominate the types of investments entered into.

## **3.2 Policy Guidelines**

### **3.2.1 Funds for Investment**

Council funds identified as being available for investment, are to be invested in accordance with the authorised investments as detailed in point 3.2.4.

### **3.2.2 Authority for Investment**

Investment of Council funds is to be in accordance with:-

- Local Government Act 1993 – Section 625;
- Local Government Act 1993 – Investment Order (of the Minister) dated 12 January 2011;
- The Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14A(2), 14C(1) & (2); and
- Local Government (General) Regulation 2021 – Clause 212

### **3.2.3 Delegation of Authority**

The General Manager and Director - Business, Cultural & Financial Services have delegated authority to invest available funds on behalf of the Council.

### **3.2.4 Authorised Investments (as per the Local Government Act 1993 – Investment Order dated 12 January 2011)**

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

- 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 a TCorp Investment Management (TCorIM) Funds.

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

#### Transitional Arrangements

- (i) Subject to paragraph (ii) nothing in this Order affects any investment made before the date of this Order which was made in compliance with the previous Ministerial Order and such investments are taken to be in compliance with this Order.
- (ii) Paragraph (i) only applies to those investments made before the date of this Order and does not apply to any restructuring or switching of investments or any re-investment of proceeds received on disposal or maturity of such investments, which for the avoidance of doubt must comply with this Order.

#### **3.2.5 Approved Investment time frames include:**

<b>Fund Type</b>	<b>Minimum Investment Time Horizon</b>	<b>Maximum Exposure as % of Total Investment Portfolio</b>
Cash Funds (at call)	0 – 180 days	0% – 100%
Interest bearing deposits, debentures or bonds	0 – 2 years	0% – 100%
Interest bearing deposits, debentures, securities, managed funds	0 – 5 years	0% - 50%

The asset structure features of the fund are to be consistent with the time horizon, risk parameters, and liquidity requirements of Council as set out in its Investment Strategy and accompanying attachments.

#### **3.2.6 Council's Investments**

##### Term to Maturity

Subject to the portfolio restrictions imposed under point 3.2.5 above, the term to maturity of any of Council's investments may range from "At Call" to 5-7 years, unless specifically approved by Council.

### 3.3 General Policy Guidelines

#### 3.3.1 Diversification/Credit Risk

##### (i.) Investments

The portfolio holdings must meet the maximum percentage allocation and issuer credit rating requirements set out in the Table below:

Standard & Poors Rating		Individual issuer up to	Portfolio limit up to
Long Term	Short Term		
AAA	A-1+	100%	100%
Major Banks AA-	A-1+	40%	50%
A+ to A-	A-1/A-2	20%	40%
BBB+	A-2	5%	10%
BBB to BBB-	A-3	\$250,000	5%
TCorpIM	Funds	-	100%

All securities must have an active secondary market.

##### (ii.) Credit Ratings

If any of Council's investments are downgraded such that they no longer fall within Council's investments policy guidelines, any security or fund concerned will be divested as soon as is practicable.

#### 3.3.2 Performance Benchmarks

The performance of the funds under investment aim to meet or exceed the following performance benchmarks overall;

Investment	Performance Benchmark
Cash & Term Deposits	90 Day Bank Bill Swap Rate
Bank Bills	90 Day Bank Bill Swap Rate + 0.25% net of fees
Debentures, Bonds, TCorp Funds	90 Day Bank Bill Swap Rate + 0.50% net of fees

#### 3.3.3 Reporting

A monthly report shall be provided to Council, detailing the investment portfolio in terms of performance and allocation in accordance with the Local Government Act 1993.

The report will also detail investment income earned versus budget year to date.

For audit purposes, certificates must be obtained from the banks/fund managers confirming the amounts of investment held on Council's behalf at 30th June each year.

### **3.3.4 Variations to Policy**

The General Manager, or in his absence, the Director - Business, Cultural & Financial Services be delegated authority, under the Local Government Act to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation without diminishing the Council's security.

All changes to this policy are to be reported to Council at the next scheduled meeting following the change to the policy.

## **3.4 Review of Investment Policy and Strategy**

Council's optimum asset allocation of funds will be reviewed annually and form an integral part of the overall investment strategy for the forthcoming year.

## **3.5 Investment Advisors**

Council may appoint an Investment Advisor(s) to provide management services as well as written and oral advice in relation to the performance and allocation of its Investment portfolio, provided such services are provided at negotiated costs, no higher than those generally available in the industry.

A bi-annual review of the performance of the investment portfolio as well as the investment advisor(s) is to be conducted by the Director - Business, Cultural & Financial Services as part of the control measures outlined in the investment strategy, such strategy complying with Council's investment policy.

# **4 Definitions**

Terms and definitions identified below are specific to this policy and are critical to the effectiveness of it.

- **Authorised Deposit-taking Institutions (ADI's)** - are corporations authorised under the Bank Act 1959 (Cwth) to take deposits from customers. ADI's include banks, building societies and credit unions all of which are regulated by the Australian Prudential Regulation Authority.
- **Bloomberg Ausbond Bank Bill Index** - is an index comprised of 13 synthetic instruments defined by rates interpolated from the RBA 24-hour cash rate and the one and three month Bank Bill Swap Rates.
- **Bank Bill Swap Rate** - is the compilation and average rate of market rates supplied by domestic banks relating to multiple maturities of bank bills.

- **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.
- **Debenture** - is a debt security usually secured by a fixed or floating charge over an underlying asset or pool of assets. Debentures are normally issued by companies in return for medium and long term investment funds.
- **Floating Rate Notes** - are securities that (in Australia) pay a coupon normally priced at a fixed margin above the Bank Bill Swap Rate
- **TCorp** - means NSW Treasury Corporation
- **Term Deposits** - are non-tradeable investments offered by ADIs with varying maturity dates (normally from one month to 60 months) and a rate set at the outset. Interest is normally payable upon maturity or if the term is longer than 12 months, annually from the investment date. Penalties apply if the funds are withdrawn before maturity and a notice period of 31 days is usually required.

## 5 Exceptions

None

## 6 Legislation

None

## 7 Related Documents

Revised NSW Ministerial Investment Order

## 8 Directorate

Business Cultural and Financial Services

## Annexure A

### 1. INVESTMENT STRATEGY

Council has from time to time, varying amounts of funds available for investment purposes. This investment strategy aims to provide a clear and coherent statement on how and where these funds are to be invested to assist in meeting Council's corporate objective in relation to financial management which is *"to employ sound financial and other management practices so as to optimise use of Council's resources and ensure that the recipients of Council's services receive value and contribute on an equitable basis"*.

A key outcome of implementing this strategy is to achieve "best practice" in our investment activities.

#### 1.1 Investment Strategy Objectives

- a) Achieve earnings in excess of the chosen benchmark.
- b) Preservation of Capital ie Maintain security of council's funds.
- c) Maximise the amount and time under investment for available funds.
- d) Maintain adequate liquidity levels, sufficient to cover any unexpected events

#### 1.2 Strategies

Council will achieve its objectives by;

- a) Having in place policies and procedures to measure and review investment and fund manager performance on a regular basis as follows;
  - Review investment performance on a monthly basis through the preparation of a report to Council on fund performance as required by Clause 16 of the Local Government (Financial Management) Regulation 1999
  - Review Fund Manager performance on a bi-annual basis
  - Review Investment Policy and Strategy annually
- b) Ensuring that any investment advisors or dealers acting for or on behalf of Council are licensed by the Australian Securities and Investment Commission.
- c) Maintain an agreed level of immediately accessible funds.

- d) Managing the risk profile of the portfolio by allocating portfolio and counterparty limits by rating, diversifying investment types and separating investment maturities.
- e) Select and manage investments that satisfy Council's investment objectives including setting investment return benchmarks that reflect the type of investments held.
- f) Adhering to the Ministerial Orders and guidelines on the authorised investments Council is allowed to invest in.
- g) Reviewing the Cash at Bank account on a regular basis with a view to transferring any available funds to invested funds to maximise returns.
- h) Establishing an open and professional working relationship with the nominated fund manager(s) that communicates the nature and risks associated with each investment.

### 1.3 Diversification/Credit Risk

#### Investments

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