



Council Policy Manual

INVESTMENT

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PURPOSE

The purpose of 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 must 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.

LEGISLATIVE REQUIREMENTS

Councils are restricted in how they may invest by Section 625 of the Local Government Act 1993. This section specifies that Councils may only use forms of investment notified by order of the Minister.

The Local Government Act 1993, by way of the Local Government (General) Regulation 2005 also specifies the reporting required on Council investments (Clause 212).

All Council investments must satisfy these legislative requirements.

POLICY STATEMENT

All investments are to be made in accordance with:

- Local Government Act 1993
- Local Government (General) Regulation 2005
- Ministerial Investment Order dated 12 January, 2011.
- NSW Trustee Act, 1925
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards Division of Local Government Circulars
- Division of Local Government Investments Guidelines

The key objectives for Councils investment activities are:

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



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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 General Manager.

AUTHORISATIONS AND DELEGATIONS IN PLACE

The General Manager has authority to invest surplus funds in accordance with this policy and may delegate this function to the Councils Finance & Administration Manager and/or other Managers.

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 security e.g. bonds;
- Interest bearing deposits issued by an authorized deposit-taking institution (ADI);
- Bills of exchange, (< 200 days duration), issued by or accepted by an authorized deposit-taking institution (ADI);
- Debentures issued by a Council (within the meaning of the Local Government Act 1993);
- Deposits with NSW Treasury Corp Hour Glass Facility; and
- Investments grandfathered under the previous Ministerial Investment Order.

PROHIBITED INVESTMENTS

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.



CREDIT AND MATURITY GUIDELINES

Investments are to comply with three key criteria relating to:

- 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) 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.

The Commonwealth Bank has an A+ rating and maintains a branch in Brewarrina and for that reason is permitted a higher ranking than other similarly rated institutions.

Long Term Rating (Standard & Poor's)	Short Term Rating (Standard & Poor's)*	Maximum Percentage of
AAA	A1+	70%
AA	A - 1	70%
A	A - 2	70%
BBB	A - 3	20%
Commonwealth Bank Term Deposits and At Call		70%
Unrated NSW Treasury Corp Hour Glass Facility - Cash and Strategic Cash options only **		25%

*Or Moody's/Fitch equivalent

** 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 Facility 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 realized.

The short-term credit rating limit will apply in the case of discrepancies between short and long-term ratings.



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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 with any one type of rated institution is as follows:

Long Term Rating (Standard & Poor's)*	Short Term Rating (Standard & Poor's)*	Maximum%
AAA	A-1+	100%
AA	A – 1	100%
A	A – 2	70%
BBB	A – 3	20%
NSW Treasury Corp TCorp IMFunds Cash Options only**	Unrated	25%

*Or Moody's/Fitch equivalent

c) TERM TO MATURITY FRAMEWORK

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

Fund Type	Term	Maximum weighting as % of allocated investment portfolio
Cash Funds (at call)	0-180 days	0 - 100%
Fixed Interest deposits/FRN's	2 months to less than 1 year	0 - 95%
Fixed Interest deposits/FRN's	1 year to less than 3 years	0 - 15%



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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)	All 90 day Bank Bill Swap Rate (BBSR)

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 at least once a year or as required in the event of legislative changes or extreme market changes.

The General Manager or the delegated representative is authorized 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.



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PROCEDURE FOR MANAGING INVESTMENTS

The Finance Officer shall maintain an investment register containing details of Council's investments and an investment file to record details concerning investment bids and decisions in relation thereto.

Council's liquidity requirements and bank balance shall be monitored on a daily basis to establish the funds available for investment and the likely investment profile.

Where surplus funds are available for overnight or short term, (less than 30 days) the funds will be placed either with the Commonwealth Bank at call account, or the NSW T Corp Hour Glass Facility. The mix between the two types of investment to be determined in consultation with the General Manager.

Where the investment is for longer than 30 days Council shall contact at least three approved investment banks, one of which must be the Commonwealth Bank, to seek current investment rates for 30,60 & 90 days or longer as required. The rates received before 01:00 PM only on the day of request made shall be compared, recorded in the investment file and referred to the Finance & Administration Manager for recommendation concerning investments.

The recommendation is to be referred to the General Manager or in the absence of the General Manager to one of Council's other Managers, other than the Finance and Administration Manager, for concurrence prior to the investment being made.

All details concerning the investment and the authority to purchase the investment shall be recorded in the investment file.