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| Investment Policy Here | 1.0.6 | October 2021 |
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Purpose

To provide a framework for the investing of Council's funds at the most favourable rate of interest available at the time whilst having due consideration of risk and security for that investment type and ensuring that liquidity requirements are being met.

- Preservation of capital is the principle objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding of the investment portfolio. This includes managing credit and interest risk with identified thresholds and parameters.
- Undertake investment of available funds in line with Council's current practices and any future Investment Strategy.
- Investments should be allocated to ensure that there is sufficient liquidity to meet all reasonably anticipated cash flow requirements as and when they fall due.

Scope

This policy applies to the investment of Council funds by Council officers.

Definitions

Nil.

Policy Content

As trustees of public monies, Council officers are to manage Council's investments to safeguard the portfolio in accordance with this Investment Policy and the Ministerial Investment Order. Under no circumstances are Council officers to make investment decisions that are in any way speculative or seek to maximise investment returns at the expense of investment security.

1. Authorised investments are limited to those allowed by the most current Ministerial Investment Order that has been issued by the NSW Minister for Local Government on 11 February 2011 and are defined as:

- 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 TCorp IM Funds of the New South Wales Treasury Corporation.

2. Prohibited Investments

This Investment Policy prohibits investments carried out for speculative purposes including:

- a) Derivative based investments.
- b) Principal only investments or securities that provide potentially nil or negative cash flow; and
- c) Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

3. Risk Management Guidelines

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

- a) Preservation of capital – the requirement for preventing losses in an investment portfolio's total value;
- b) Diversification – setting limits to the amounts invested with a particular financial institution or government authority to reduce credit risk;
- c) Credit risk – the risk that an investment that a council has invested in fails to pay the interest and or repay the principal of an investment. Council will invest funds in accordance with the limits detailed in Table 1 below:

Credit Risk – Table 1

The investment portfolio is to be managed within the following credit risk constraints:

| Institution | Standard & Poor's Long Term Credit Rating September 2020 | Maximum Limit |
|---|--|--|
| Securities issued by the Commonwealth of Australia or any state of the Commonwealth or Territory | | 100% in total all institutions 100% per institution |
| TCorpIM Funds | | 100% in total |
| Major Banks Example: Commonwealth Bank, NAB, Westpac, ANZ (combined with related entities such as Bank West and Bank of Melbourne) | AA- | 100% in total all institutions 40% per institution |
| Other 'AA' Rated Institutions | | 100% in total all institutions 30% per institution |
| 'A' Rated Institutions Examples: Suncorp, ING Bank, Rabobank | A+ A A- | 30% in total all institutions 20% per institution |
| 'BBB+' Rated Institutions (excluding BBB and BBB-) Examples: AMP, Bendigo and Adelaide Bank, ME Bank, Credit Union Australia | BBB+ | 20% in total all institutions 10% per institution |
| Hume Bank and WAW Credit Union | Unrated | 20% in total all institutions 10% per institution |

d) Liquidity risk – the risk relating to the length of term to maturity of an investment. The larger the term, the greater the length of exposure and risk to market volatilities.

When placing investments that extend beyond one year, Council's working capital requirements are to be assessed by taking into account Council's Operational Plan, Four Year Delivery Program and Long Term Financial Plan.

Liquidity Risk – Table 2

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

| Overall Portfolio Term to Maturity Limits | | |
|---|---------|---------|
| Investment Horizon | Minimum | Maximum |
| <1 Year | 40% | 100% |
| >1 Year <3 Years | 0% | 60% |
| >3 Years <5 Years | 0% | 20% |

4. All investments are to be made in accordance with:
 - a) Local Government Act 1993 – section 625;
 - b) Local Government (General) Regulation 2005– Clause 212;
 - c) Local Government Act 1993 Investment Orders as issued by the Minister for Local Government
 - d) Local Government Code of Accounting Practice and Financial Reporting
 - e) Australian Accounting Standards
 - f) All investments will be in Australian Dollars
5. All Investments shall be also in accordance with provisions of Department of Local Government Circulars as issued wherein particular attention is drawn for the need for councils to exercise prudential care when making investment decisions through third parties.
6. Quotations on Council’s Direct Investments (i.e. Term Deposits, Bank Bills, etc.)
 - a) At least two (2) quotations shall be obtained from authorised institutions when an investment is proposed.
 - b) The term to maturity of any Council’s direct investments may range from “At Call” to 18 months or otherwise as approved by Council.
7. Consideration is to be given to local economic benefit when making investment decisions. The relative economic benefit provided by financial institutions is to be considered when making investment decisions. Preference is to be given to investments with locally owned and operated financial institutions that support the local region, when:
 - They are offering a competitive rate of return; and
 - The investment does not breach Greater Hume Council’s investment credit risk framework as detailed in Table 1 of this Policy.
8. Documentary evidence must be held for each investment and details thereof maintained in an Investments Register
9. The documentary evidence must provide Council with legal title to the investment.

10. Certificates must be obtained from the financial institutions confirming the amounts of investments held on Council's behalf as at 30 June each year and reconciled to the Investments Register.
11. A monthly report will be provided to Council. The report will detail the investment portfolio in terms of performance, maturity date and changes in market value.
12. Council shall, at least once in each year, review the performance of its investments (individually and as a whole) and review their investment strategy/policy.

Links to Policy

Guarantee of Service Statement

Links to Policy

Guarantee of Service Statement

Links to Procedure

Nil

Links to Forms

Nil

References

- Local Government Act 1993 – Section 625
- Local Government Act 1993 – Investment Order (of the Minister) as in force from time to time;
- The Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14A(2), 14C(1) & (2);
- Local Government (General) Regulation 2005 – Clause 212 • Division of Local Government Investment Policy Guidelines May 2010
- Local Government Code of Accounting Practice & Financial Reporting
- Australian Accounting Standards • Office of Local Government Circulars
- Trustees Act 1925

Responsibility

Director Corporate & Community Services

Document Author

Director Corporate & Community Services

Relevant Legislation

Local Government Act 1993
Ministerial Investment Order as issued.

Associated Records

Nil