



8. FINANCE

Policy 8.7

INVESTMENT POLICY

Version 4

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8.7 INVESTMENT POLICY

OBJECTIVE:

- i. To undertake investment of surplus funds.
- ii. To maximise earnings from authorised investments.
- iii. To ensure the security of Council funds.

POLICY:

1. AUTHORITY FOR INVESTMENT:

All investments are to be made in accordance with:

- i. Local Government Act 1993 – Section 625
- ii. Local Government Act 1993 – Order (of the Minister) dated 12 January 2011
- iii. The Trustee Amendment (Discretionary Investments) Act 1997
- iv. Local Government (General) Regulation 2005.

2. DELEGATION OF AUTHORITY:

The General Manager is given delegated authority under the Local Government Act to invest temporary surplus funds in accordance with Council policy.

This authority may be sub-delegated by the General Manager.

3. AUTHORISED INVESTMENTS:

All of the Council's investments must be denominated in Australian Dollars.

The council may only invest money in the forms of investments, as taken directly from the Local Government Act 1993 – Order (of the Minister) Circular No: 11-01 gazetted on 11 February 2011.

- (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 (APRA)

- (e) A deposit with the New South Wales Treasury Corporation or investments in an Hour-Glass investment facility of the New South Wales Treasury Corporation.

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

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 previous Ministerial Order dated 12 January 2011, 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.

Prohibited Investments

This investment policy prohibits any investment carried out for speculative purposes including, but not limited to:

- i. Derivative based instruments
- ii. Principal only investments or securities that provide potentially nil or negative cash flow and
- iii. Stand-alone securities issued that have underlying futures, options forward contracts or swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest) of an instrument. However, nothing in this previous paragraph will limit the grandfathering clause pertaining to already purchased investments.

4. GUIDELINES:

Diversification

Deposits with any one financial institution shall be limited to 25% of Council's total portfolio.

The Diversification limit above shall be assessed at the time of making a new investment. Any subsequent reduction in portfolio size shall be disregarded in relation to assessing diversification limits of existing

investments where there are likely to be significant costs or losses for terminating or disposing of an investment.

Term to Maturity Framework

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

Maturity Profile	Minimum Percentage	Maximum Percentage
Maturity < 1 year	40%	100%
Maturity > 1 year < 3 years	0%	50%
Maturity > 3 year < 5 years	0%	25%
Maturity > 5 year	0%	10%

5. REPORTING

A monthly report shall be provided to Council, detailing the investment portfolio including individual amounts invested, financial institution name, maturity date, interest rate, percentage exposure within the total portfolio and current market value. The report is to include a certificate as to whether or not the investments have been made in accordance with the Act, regulations and Council's investment policy.

For audit purposes certificates must be obtained from banks and investment brokers confirming the amounts of investments held on Council's behalf and their current market value as at 30 June each year.

6. VARIATION TO POLICY

The General Manager be authorised to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation.

All changes to this policy are to be reported to Council.

7. REVIEW

This Policy will be reviewed as required and at a minimum at least once during the term of Council.

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