

Investment Policy

Policy Approval and Distribution

Approved by	Council resolution
Responsible Officer	Tim Swan, Finance Manager
Council Service Unit	Finance
Next Review Date	27 July 2021

Version Control

Ref	Date	Description	Resolution Number
1.0	7 August 2017	Adopted	09/08/2017
2.0	31 July 2018	Presented to council for adoption	148/2018

Purpose

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

Scope

This policy applies to all Council investments.

Definitions

Responsible Accounting Officer (RAO)

The Responsible Accounting Officer (RAO), as defined by the Local Government (General) Regulation 2005, is responsible for keeping the council's accounting records and ensuring that they are kept up to date and in an accessible form.

Legislative Framework

Section 625 Local Government Act 1993

Clause 16 Local Government (General) Regulation 2005

Section 14 Trustee Act 1925

Ministerial Investment Orders

Local Government Code of Accounting Practice and Financial Reporting

Australian Accounting Standards

NSW Department of Local Government Circulars

NSW Department of Local Government Investment Policy Guidelines

Procedures

Investment Procedure – in development.

Review Period

This document is to be reviewed every three (3) years to ensure that it remains relevant and meets legislative requirements.

Policy Statement

Investment Objectives

While exercising the power to invest, consideration is given to the preservation of capital, liquidity, and the return of investments.

Preservation of capital is the principal objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding 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 reasonable anticipated cash flow requirements, as and when they fall due, without incurring the risk of significant costs due to the unanticipated sale of an investment.

Delegation of Authority

Council has delegated authority for investing funds to the General Manager in accordance with the Local Government Act 1993. The General Manager has in turn delegated that investment authority to the Responsible Accounting Officer and to the Senior Staff.

Duties and Obligations of the Responsible Accounting Officer

All of the General and Investing Obligations on the Responsible Accounting Officer (RAO) listed below extend to any delegated Council Officer when authorising the investment of Council Funds.

This policy requires officers to disclose any conflict of interest when investing funds to the General Manager. Independent investment advisors are required to submit a signed declaration that they have no actual or perceived conflicts of interest.

Approved Investments

Investments are limited to those allowed by the most current Ministerial Investment Order issued by the NSW Minister for Local Government.

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 instruments;
- Principal only investments or securities that provide potentially nil or negative cash flow;
- Stand-alone securities issued that have underlying future, options, forwards contracts and swaps of any kind.

Risk Management Guidelines

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

- Preservation of Capital – the requirement for preventing losses in an investment portfolio's total value (considering the time value of money);
- Diversification – limiting the amounts invested with a particular financial institution or government authority to reduce credit risk;
- Credit Risk – the risk that a council has invested in fails to pay the interest and/or repay the principal of an investment.
- Market Risk – the risk that the fair value or future cash flows of an investment will fluctuate due to changes in market prices;
- Liquidity Risk – the risk an investor is unable to redeem the investment at a fair price within a timely period;
- Maturity Risk – the risk relating to the length of term to maturity of the investment. The larger the term, the greater the length of exposure and risk to market volatilities.