

POLICY STATEMENT

INVESTMENT POLICY

POLICY ADOPTED: 16 NOVEMBER 2010

Policy Objective:

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 Council's liquidity requirements are being met.

Policy Statement:

Council has three main objectives for its investment portfolio:

- To secure both principal and interest;
- To maintain sufficient liquidity to meet all reasonably anticipated cash flow requirements; and
- To achieve a market average rate of return in line with Council's risk tolerance.

Prudent Person Standard:

The investments will be managed with the 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.

Independent advisors are also required to declare 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 investments;
- Principal only investments or securities that provide potentially nil or negative cash flow
- Stand alone securities issued that have underlying futures, options, forward contracts and swaps of any kind.

This policy also prohibits the use of borrowing to invest.

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 – setting limits to the amounts invested with a particular financial institution or government authority to reduce credit risk;
- Credit Risk – the risk that a Council investment 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; and
- 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. \

In order to ensure compliance with this policy and document decisions made, Council's Investment Checklist shall be completed when new investments are made or when existing investments are being renewed.

Investment Advisor

Any firm or individual acting as Council's investment advisor must be approved by Council and licensed by the Australian Securities and Investment Commission. The advisor must be independent and have no actual or potential conflict of interest in relation to investment products being recommended and be free to choose the most appropriate product within the terms and conditions of the investment policy.

The independent advisor is required to provide written confirmation that they do not have any actual or potential conflicts of interest in relation to the investments they are recommending or reviewing, including that they are not receiving any commissions or other benefits in relation to the investments being recommended or reviewed.

Reporting and Reviewing of Investments

Documentary evidence must be held for each investment and details thereof maintained in the Investment Register.

The documentary evidence must provide Council legal title to the investment.

Certificates must be obtained from the financial institutions confirming the amounts of investment held on the Council's behalf as at 30 June each year and reconciled to the Investment Register.

All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis.

A monthly report will be provided to Council.

This Investment Policy will be reviewed at least once a year or as required in the event of legislative changes. The Investment Policy may also be changed as a result of other amendments that are to the advantage of Council and in the spirit of the policy. Any amendment to the policy must be by way of Council resolution.

Responsibilities:

Authority for implementation of the Investment Policy is delegated by Council to the General Manager in accordance with the Local Government Act 1993.

The General Manager may in turn delegate the day to day management of Council's investments to the Responsible Accounting Officer or senior staff, subject to regular reviews.

Officers delegated authority to manage Council's investments shall be recorded in Council's delegations register and those responsible for investments shall be required to acknowledge that they have received a copy of this policy and understand the obligations of this role.

References:

All investments are to be made in accordance with:

- Local Government Act 1993
- Local Government (General) Regulation 2005
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards; and
- Division of Local Government Circulars

Appendices:

Investment Checklist

Authorisation:

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| Status | Committee | N/A | |
| | Manex | N/A | |
| Owner | Director Corporate Services | | |
| EDRMS Doc. ID | 329287 | | |
| Superseded Policy | | | |
| Date of Adoption/ Amendment | Revision Number | Minute Number | Review Date |
| 16 November 2010 | 0 | | |
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| Related Council Policy / Procedure |
| Investment Checklist |
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