

INVESTMENT POLICY

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PREPARED BY:

FINANCE, PROPERTY AND PERFORMANCE



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1. PURPOSE

The purpose of this Policy is to provide a framework to ensure Council's cash balances, which are surplus to Council's immediate requirements, are invested within acceptable risk parameters to optimise interest income, ensuring the security of these funds, and maintaining adequate liquidity to meet the Council's operational requirements.

2. APPLICATION

This Policy exclusively applies to all cash investing activities undertaken by Council and is binding upon all staff who undertake these activities.

3. PRINCIPLES

3.1 Application of Principles

No one principle should be applied to the detriment of another. Principles must be collectively considered and applied to the extent that is reasonable and practicable in the circumstances.

3.2 Preservation of Capital and Prudent Person Standard

The preservation of capital is the principal objective in relation to the management of Council's investment portfolio. 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 Policy, and not for speculative purposes.

3.3 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 Chief Executive Officer. Independent advisors are also required to declare that they have no actual or perceived conflicts of interest.

3.4 Authorised Investments

All investments must be denominated in Australian dollars. Authorised investments are limited to those allowed by the current active Ministerial Investment Order that has been issued by the NSW Minister for Local Government.

In accordance with the Ministerial Investment Order, this Policy prohibits any investment carried out for speculative purposes including, but not limited to, derivative based instruments, principal only investments or securities that provide potentially nil or negative cash flow; and standalone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

3.5 Authority to Invest

Council has delegated the authority to implement the Investment Policy to the Chief Executive Officer in accordance with the *Local Government Act 1993*. The Chief Executive Officer has in turn delegated the management of Council's investment portfolio to those currently recorded in the Delegated Authority register to hold the following delegation:

Delegation of Authority	
Delegation Number	FS04
Delegation Category	FINANCE
Delegation Name	Investments
Delegation Detail	Implement the Council's adopted Investment Policy and invest the Council's money in accordance with section 625 of the <i>Local Government Act 1993</i> .

Delegated Officers are required to acknowledge they have received a copy of this Policy and understand their obligations in this role when investing funds on behalf of Council in accordance with this Policy.

3.6 Risk Profile

Council's risk profile in relation to investing surplus funds is to be relatively prudent, conservative and risk averse. The profile will be achieved by effectively managing the following:

Criteria	Description
Institutional Diversification	Institutional diversification is achieved by setting limits to the amounts invested with a particular financial institution or government authority to reduce institutional risk (s3.7);
Product Credit Rating Diversification	Product credit rating diversification is achieved by setting limits to the amounts invested within any particular credit rating band (s3.8).
Liquidity & Market Risk	Mitigating liquidity risk by setting limits 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 (s3.9).

3.7 Institutional Diversification Parameters

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:

S&P Long Term Rating Range (or Moody's/Fitch equivalent)	Maximum Holding
AAA to AA-	45%
A+ to A-	40%
BBB+ to BBB-	20%
Specific Ministerial Approved Forms of Investment	Maximum Holding
NSW TCorpIM Short Term Income Fund	20%
NSW TCorpIM Medium Term Growth Fund	10%
NSW TCorpIM Long Term Growth Fund	5%

Credit ratings are based upon the Standard and Poor's Investment Rating, or Moody's or Fitch equivalent, where a Standard and Poor's Investment Rating does not exist.

If any of the Council's investments are downgraded such that they no longer fall within the investment policy limits, they will be divested as soon as practicable having regard to potential losses resulting from early redemption and subject to minimising any loss of capital that may arise from compliance with this provision.

NSW TCorpIM Funds do not have credit ratings and investments with them are not guaranteed by NSW TCorp. These funds are specifically approved as eligible investments in the Ministerial Investment Order, dated 12 January 2011.

The NSW TCorpIM Medium Term and Long Term Growth Funds have exposure to growth assets such as shares and property and their monthly returns can be negative depending on prevailing market conditions.

3.8 Product Credit Rating Diversification Parameters

Credit guidelines used in this Policy reference the Standard and Poor's (S&P) ratings system criteria and format – however, references to the Minister's Order also recognise Moody's and Fitch Ratings and any of the three may be used where available.

Ratings in no way guarantee the investment or protect Council against investment losses. The prescribed ratings should not be misinterpreted as an implicit guarantee of investments or entities that have such ratings. Even given this challenge, ratings provide the best independent information available.

Since credit ratings cannot be considered a consistent indicator of risk across different investment types, to provide a more effective risk management framework, this policy sets different exposure and duration terms for different categories of investments.

The following table provides a comparison of the rating equivalents between the different rating agencies:

	S&P	Moody's	Fitch
Prime	AAA	Aaa	AAA
High Grade	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
Upper Medium Grade	A+	A1	A+
	A	A2	A
	A-	A3	A-
Lower Medium Grade	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-
Non-Investment Grade Speculative	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
Highly Speculative	B+	B1	B+
	B	B2	B
	B-	B3	B-

3.9 Total Portfolio Credit Limits

The maximum holding limit in each rating category of Council's portfolio shall be:

S&P Long Term Rating Range (or Moody's/Fitch equivalent)	Maximum Holding
AAA Range Products	100%
AA Range Products	100%
A Range Products	60%
BBB Range Products	40%
Specific Ministerial Approved Forms of Investment	Maximum Holding
NSW TCorpIM Funds	35%

Credit ratings are based upon the Standard and Poor's Investment Rating, or Moody's or Fitch equivalent, where a Standard and Poor's Investment Rating does not exist.

If any of Council's investments are downgraded such that they no longer fall within these policy guidelines, they will be divested as soon as practicable.

NSW TCorpIM Funds do not have credit ratings and investments with them are not guaranteed by NSW TCorp. These funds are specifically approved as eligible investments in the Ministerial Investment Order, dated 12 January 2011.

3.10 Investment Maturity and Liquidity Parameters

The term to maturity framework is structured around the cash requirements of the Council and the management of liquidity risk. The investment portfolio will be managed to diversify its maturity profile within the following term to maturity constraints.

Investment Horizon	Maturity Date	Minimum Allocation	Maximum Allocation
Working Capital Funds	0-3 months	10%	100%
Short Term	3-12 months	20%	80%
Short to Medium Term	1-2 years	0%	70%
Medium Term	2-5 years	0%	35%
Long Term	5-10 years	0%	10%

3.11 Environmentally and Socially Responsible Investments

Environmentally and Socially Responsible Investments will be assessed on the same basis as other cash investment opportunities and the Council will select the investment that best meets its overall investment selection criteria.

Where financial institutions are offering equivalent investments, where they comply with legislation and investment policy objectives and parameters, Council will preference placing investments that are more environmentally and/or socially responsible.

3.12 Authority to Terminate Investments Early

If any of Council's investments are under market or liquidity stress and conditions warrant early termination then this should be actioned as soon as practicable by the responsible officer stated in this Policy. Early termination should consider any penalties imposed or adverse market pricing relevant to the risk of retaining the investment.

Any investments in the NSW TCorpIM Medium Term Growth Fund or Long Term Growth Fund can normally be redeemed within days, however it is recommended that holdings in these funds be considered long term investments with time horizons of 3-7 years for the Medium Term Growth Fund and 7+ years for the Long Term Growth Fund.

3.13 Performance Benchmarks

The performance of the overall investment portfolio shall be measured against the industry standard Bloomberg AusBond Bank Bill Index. The long term performance of any holdings in the NSW TCorpIM Medium Term Growth Fund or Long Term Growth Fund will be viewed in context of the Funds' stated investment objectives as detailed by NSW TCorp.

3.14 Investment Register and Documentation

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.

3.15 Investment Advisor

The Council's investment advisor must be approved by Council and licensed by the Australian Securities and Investment Commission (ASIC). The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended and is 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. Any commissions paid to the advisor by banks/product providers will be rebated, or otherwise on forwarded, to Council as per ASIC requirements for an independent investment advisor.

Similar to the auditor rotation requirements under the *Corporations Act 2001 (Cth)* the Council's investment advisors must be rotated after a providing service for five consecutive financial years.

4. RESPONSIBILITIES

4.1 Responsible Officer

The Chief Financial Officer is the Responsible Officer for this Policy and is responsible for managing and reporting on Council's investment portfolio.

4.2 Chief Executive Officer

The Authority for implementation of this Investment Policy is delegated to the Chief Executive Officer by Council in accordance with the *Local Government Act 1993*.

4.3 Employees

Employees must adhere to the requirements of this Policy and operate within the authorities of financial delegations granted to them by the Chief Executive Officer.

5. POLICY COMPLIANCE

In accordance with section 212 of the *Local Government (General) Regulation 2021*, a monthly report will be provided to Council, detailing the investment portfolio in terms of compliance with this Policy and overall performance.

6. RECORD KEEPING, CONFIDENTIALITY AND PRIVACY

Council adheres to and complies with the *NSW State Records Act 1998* and *Privacy and Personal Information Protection Act 1998* through its Access to Information Policy and Privacy Management Plan.

7. BREACHES OF POLICY

Breaches of this Policy will be dealt with in accordance with normal disciplinary procedures and will be advised to the Chief Executive Officer and / or Director Corporate, via the Chief Financial Officer.

8. RELATED DOCUMENTS

- Delivery Program and Operational Plan including Annual Budget
- Long Term Financial Plan
- Privacy Management Plan
- Access to Information Policy

9. RELEVANT LEGISLATION AND REGULATIONS

- *Local Government Act 1993 (NSW)*
- *Local Government (General) Regulations 2021*
- Ministerial Investment Order, dated 12 January 2011
- *The Trustee Act 1925 - Section 14, 14A(2), 14C(1) and 14C(2)*
- *State Records Act 1998 (NSW)*
- *Privacy and Personal Information Protection Act 1998 (NSW)*
- *Government Information (Public Access) Act 2009 (NSW)*
- *Corporations Act 2001 (Cth)*
- NSW Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards

10. DEFINITION OF TERMS

Term	Meaning
AusBond Bank Bill Index	The AusBond Bank Bill Index is a benchmark that measures the performance of a notional portfolio of Australian bank bills with maturities up to 91 days. It serves as a key indicator of short-term interest rates and returns in the Australian money market and is widely used by investors and financial institutions to assess cash and fixed-income investments.
APRA	Australian Prudential Regulation Authority - APRA APRA is the prudential regulator of the Australian financial services industry. APRA enforces prudential standards and practices (e.g. capital adequacy and other risk management issues) of banks, credit unions, building societies, insurance companies and friendly societies.
ADI	Authorised Deposit-Taking Institutions - ADI Authorised Deposit-Taking Institutions (ADIs) are corporations that are authorised under the <i>Banking Act 1959 (Cth)</i> to take deposits from customers.

Term	Meaning
Credit Rating	Credit Rating refers to a short or long term summary assessment of the credit worthiness of a debt issuer or of a specific issue.
Ministerial Investment Order	Refers to the Order of the NSW Minister for Local Government relating to Investments made by NSW Councils. Last Minister's Order was dated 12 January 2011.

End of Document

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