Draft Revised Investment Policy

1. Purpose

1.1 The purpose of this policy is to provide a framework for investing 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 Council's liquidity requirements are met.

2. Scope

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

3. Delegation of Authority

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

3.2 Any such delegated authority is to be recorded and each delegate is required to confirm that they have received copies of the Investment Policy and Procedure documents and that these documents have been read and understood.

3.3 Council officers with investment responsibilities will have regard to the requirements of a trustee under the Trustee Act and are to be provided with appropriate training.

4. Definitions

4.1 **Bloomberg Ausbond Bank Bill Index** (the) is an index comprised of 13 synthetic instruments defined by rates interpolated from the RBA 24-hour cash rate and the one and three-month Bank Bill Swap Rates.

4.2 **Authorised Deposit-taking Institutions (ADIs)** are corporations authorised under the Bank Act 1959 (Cwth) to take deposits from customers. ADI's include banks, building societies and credit unions all of which are regulated by the Australian Prudential Regulation Authority.

4.3 **Bank Bill Swap Rate (BBSW)** is the compilation and average rate of market rates supplied by domestic banks relating to multiple maturities of bank bills.

4.4 **Bill of Exchange** is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer.

4.5 **Debenture** is a debt security usually secured by a fixed or floating charge over an underlying asset or pool of assets. Debentures are normally issued by companies in return for medium and long-term investment funds.

4.6 **Floating Rate Notes** are securities that (in Australia) pay a coupon normally priced at a fixed margin above the Bank Bill Swap Rate.

4.7 **TCorp** means NSW Treasury Corporation.

4.8 **Term Deposits** (or Deposits) are non-tradeable investments offered by ADIs with varying maturity dates (normally from one month to 60 months) and a rate set at the outset. Interest is normally payable upon maturity or if the tern is loinger than 12 months, annually from the investment date. Penalties apply if the funds are withdrawn before maturity and a notice period of 31 days is usually required.

5. References

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

6. Content

6.1 AlburyCity recognises its obligations to invest surplus funds in authorised investments, taking into account legislative requirements, risk, diversification, funds availability, overdraft exposure and Council's Annual Operational Plan and Four Year Delivery Program.

6.2 As trustees of public monies Council officers are to manage Council's investments to safeguard the portfolio in accordance with the spirit of this Investment Policy and the Ministerial Investment Order and not for speculative purposes.

6.3 Investment Objectives

a. Undertake authorised investment of Council funds.
b. Preserve capital invested by taking into account investment risks.
c. Manage Council's investments to meet cash flow obligations.
d. The rate of return on funds invested is to be optimised compared to appropriate benchmarks.
e. Preference investments to financial institutions that do not support the fossil fuel industry.
~~e.~~f. Preference environmental and socially responsible investments.
~~f.~~g. Give consideration to local economic benefit when making investment decisions.
~~g.~~h. Maintain an appropriate relationship with Council's investment institutions and advisors.
~~h.~~i. Regularly report investment performance and compliance to Council.

6.3.1 Undertake authorised investment of Council funds

a. All investments are to be made in accordance with:

- *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*

b. Ministerial Investment Order

c. Currently under the Ministerial Order (12 January 2011), Councils are only able to invest in:

- any public funds or securities issued by or guaranteed by, the Commonwealth, any state of the Commonwealth or a Territory;
- any debentures or securities issued by a Council (within the meaning of the Local Government Act 1993 (NSW));
- 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;

- any bill of exchange which has a maturity date of not more than 200 days; and if purchased for a 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;
- a deposit with the New South Wales Treasury Corporation or investments in TCorpIM Funds of the New South Wales Treasury Corporation.

d. All investments must be denominated in Australian Dollars.

e. In accordance with the Ministerial Order, when investing funds Council will consider, but not be limited by, the risk of capital or income loss or depreciation, the likely income return and the timing of income return, the length of the term of the proposed investment, the liquidity and marketability of the proposed investment, the likelihood of inflation affecting the value of the proposed investment and the costs of making the proposed investment including commissions, fees and duties payable.

6.3.2 Preserve capital invested by taking into account investment risks

a. Preservation of capital is the principal objective of the structure of the investment portfolio. Investments are to be performed 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. All investments with financial institutions entail some risk. Generally, the higher the anticipated rate of return of an investment the higher the risk. Council's investments will be diversified across a number of authorised deposit taking institutions having regard to their credit risk.

6.3.3 Manage Council's investments to meet cash flow obligations

a. The investment portfolio will be managed to ensure Council's liquidity is sufficient to meet all reasonably anticipated cash flow requirements, as and when they fall due, without overdraft requirement or incurring significant costs due to unanticipated sale of an investment. Determining liquidity requirements provides direction on the term of investments to be placed.

6.3.4 The rate of return on funds invested is to be optimised compared to appropriate benchmarks

a. Council's primary objective in investing funds is to prevent any loss to the amount invested, while optimising the rate of return taking into account the risk and timeframes of the investments. When undertaking investment decisions likely changes to market prices over the term of the investment are to be taken into account by taking into account appropriate benchmarks, such as the Bank Bill Swap Rate (BBSW) or Bank Bill Index depending upon the term of the investment.

6.3.5 Preference investments to financial institutions that do not support the fossil fuel industry

a. Preference is to be given to investments with financial institutions that do not support the fossil fuel industry, when the investment does not breach AlburyCity's investment credit risk framework, and the rate of return is within 2.5% of comparable investments on offer at the time of investment.

b. *For example, if a term deposit was being offered as follows from two banks:*

- *Bank A was offering 1.00% p.a. - supports the fossil fuel industry*
- *Bank B was offering 0.98% p.a. - does not support the fossil fuel industry*

Given Bank B was offering a rate within 2.5% of Bank A, AlburyCity would invest with Bank B. However, if Bank B was offering a rate of 0.97% p.a. or lower, AlburyCity would invest with Bank A.

6.3.6 Preference environmental and socially responsible investments

a. Council's preference is to enter into environmental and socially responsible investments where:

- The investment is compliant with legislation and AlburyCity's Investment Policy objectives and parameters; and
- The rate of return is within 2.5% of comparable investments on offer at the time of investment.

~~a.~~b. Environmental and Socially Responsible Investment status may be in respect of the individual investment product, the issuer of the investment, or both and should be endorsed by an accredited environmentally and socially responsible industry body or institution.

~~6.3.6~~6.3.7 Give consideration to local economic benefit when making investment decisions

a. The relative local economic benefit provided by financial institutions is to be considered when making investment decisions.

b. Preference is to be given to investments with locally owned and operated financial institutions that support the local region, when:

c. they are offering a competitive rate of return; and

d. the investment does not breach AlburyCity's investment credit risk framework.

~~6.3.7~~6.3.8 Maintain an appropriate relationship with Council's investment institutions and advisors

a. All Council staff are required to carry out their duties in accordance with Council's Code of Conduct.

b. Any conflict of interest must be managed to uphold the probity of council decision-making.

c. When new products are being considered, Council will seek expert financial advice from an investment advisor, who is licensed by the Australian Securities and Investments Commission. Selection of an appropriate investment advisor is to be determined by the Chief Executive Officer. The advisor will be asked to confirm in writing that they do not have any conflict of interest in relation to the products being reviewed, including that they are not receiving any commissions or other benefits in relation to the investments being reviewed.

~~6.3.8~~6.3.9 Regularly report investment performance and compliance to Council

a. A written report will be presented to a meeting of Council on a monthly basis certifying that all investments have been made in accordance with the Local Government Act 1993, Local Government (General) Regulations 2005 and Council's Investment Policy and Procedure. If a breach of the investment policy or procedure occurs, Council will be notified at its next ordinary Council meeting by Council's Responsible Accounting Officer.

b. From time to time Council's Audit Committee may review Council's investments practices to confirm they comply with this policy. Council's external Auditor also reviews Council's investments as part of the audit of Council's Annual Financial Reports.

c. Council will review the policy annually and make amendments as required and approve such amendments by resolution of the Council, after taking into account recommendations of the Audit, Risk and Improvement Committee.

6.4 Safe Custody Arrangements

6.4.1 Council must retain beneficial ownership at all times and must be in receipt of documentation verifying the existence of the investment. Where a custodian is required, the custodian must be:

a. The custodian nominated by TCorp for investment in TCorpIM Funds; or
b. Austraclear; or
c. An Investment Grade institution so rated by Standard and Poor's, Moody's or Fitch.

7. Documentation

7.1 This policy is supported by the AlburyCity Investment Procedure.

8. Authorisation

Owner	**Directorate**	Business, Growth & Community
	Responsible Officer	Team Leader Financial Management
Authorisation	Council	
Review Date	June 202~~2~~3	
Register	This policy is included in the Policy and Procedure Register.	

Record of Amendments	23 March 2004	Adopted by Council
	February 2007	Review of policy
	January 2009	Review of policy
	April 2011	Review of policy
	July 2013	Review of policy
	September 2015	Review of policy
	November 2016	Review of policy
	June 2017	Review of policy
	June 2018	Review of policy
	June 2019	Review of policy
	June 2020	Review of policy
	June 2021	Review of policy
	June 2022	Review of policy