

DRAFT

POLICY



CENTRAL TABLELANDS WATER

INVESTMENT POLICY

DOCUMENT CONTROL

Document Title	Investment Policy				
Policy Number	CTW-PR007				
Responsible Officer	<u>Executive Management Accountant</u> <u>Director Finance and Corporate Services</u>				
Reviewed by	<u>General Manager</u> <u>and Executive Management Accountant</u> <u>and Director Finance & Corporate Services</u>				
Date Adopted	<u>17 October</u> <u>December</u> 202 <u>54</u>				
Adopted by	Council				
Review Due Date	<u>16 October</u> <u>December</u> 202 <u>65</u>				
Revision Number	<u>54</u>				
Previous Versions	Date	Description of Amendments	Author	Review /Sign Off	Minute No: (if relevant)
1	12/10/15				16/079
2	12/02/20		DFCS		20/011
3	15/02/23		DFCS		23/009
4	16/10/24		DFCS		24/098
5	<u>29/12/25</u>	<u>Updated delegations and minor changes</u>	EMA	GM	

Objectives

- (a) To undertake investment of surplus funds, maximising earnings from authorised investments, whilst ensuring the security of Council Funds
- (b) To ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.
- (c) To ensure that capital invested is preserved and invested in accord with Council's risk appetite.
- (d) To ensure that all restricted funds are backed by cash or investments.

Policy

Legislative Requirements

All investments are to be made in accordance with:

- (a) Local Government Act 1993;
- (b) Ministerial Investment Order;
- (c) Trustee Act 1925;
- (d) Local Government (General) Regulation 2005;
- (e) Local Government Code of Accounting Practice and Financial Reporting;
- (f) Australian Accounting Standards; and
- (g) Office of Local Government Circulars.

Delegation of Authority

Authorised Officer	Roles & Responsibilities	Value
General Manager	Authority to <u>invest</u> <u>approve</u> the <u>investment of</u> surplus funds, and authority to delegate this function.	<u>Up to \$1 million</u>
<u>Director Finance and Corporate Services</u> <u>Executive Management Accountant</u>	Authority to <u>approve</u> <u>investment of</u> surplus funds.	<u>Up to \$1 million</u>
<u>Director Finance and Executive Manager</u> Corporate Services	Authority to <u>approve</u> <u>investment of</u> surplus funds.	<u>Up to \$1 million</u>
<u>Executive Manager Operations & Technical Services</u>	Authority to <u>approve</u> <u>investment of</u> surplus funds.	<u>Up to \$1 million</u>

Finance Officer <u>(Receivables)</u>	Authority to <u>recommend and set up</u> invest <u>ment of</u> surplus funds.	
-----------------------------------------	----------------------------------------------------------------------------------	--

Authorised Investments

Investments are limited to those allowed by the most current Ministerial Investment Order that has been issued by the NSW Minister for Local Government dated 12 January 2011.

Council shall only invest money (on the basis that all investments must be denominated in Australian Dollars) in the following forms of investment:

- (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; and
- (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 Ministerial Order dated 31 July 2008 which was made in compliance with the previous Ministerial Order dated 15 July 2005, and such investments are taken to be in compliance with this Order.~~
- (ii) ~~Paragraph (i) only applies to those investments made before the Ministerial Order dated 31 July 2008 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.~~

~~It is noted that Council no longer holds any investments of the type to which the transitional arrangements apply.~~

Prudent Person Standard

The investments shall be managed with 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.

If engaged, independent advisors shall also be required to declare that they have no actual or perceived conflicts of interest.

Prohibited Investments

This Investment Policy prohibits any investment carried out for speculative purposes including:

- (a) Derivative based instruments;
- (b) Principal only investments or securities that provide potentially nil or negative cash flow;
- (c) ~~Stand alone~~Stand-alone securities issued that have underlying futures, options, forward contracts and swaps of any kind; and
- (d) The use of leveraging (borrowing to invest) of any investment.

Risk Management Guidelines

Investments are to comply with the following criteria:

- (a) Preservation and return of capital - all reasonable measures are to be taken to prevent losses in portfolio value;
- (b) All investments will be made with Authorised Deposit Institutions (ADI). These consist of all financial institutions approved and regulated by the Australian Prudential Regulatory Authority (APRA)
- (c) Institutional Diversification:
 - a. Not less than three (3) quotations shall be obtained from authorised institutions when an investment is proposed, with an investment time period of a minimum of 3 months to a maximum of 2 years.
 - b. Direct investments, including cash at bank, shall not exceed 50% with any single ADI rated "A" or higher by Standard and Poors at any one time.
 - c. Direct investments with any single ADI rated lower than "A" by Standard and Poors shall not exceed 40% at any one time.
 - d. Direct investments with any single unrated ADI shall not exceed 30% at any one time.
- (d) Maturity Risk: the investment portfolio is to be invested within the following maturity constraints:

Overall Portfolio Return to Maturity		
Portfolio % < 1 year	Min 50%	Max 100%
Portfolio % > 1 year	Min 0%	Max 50%
Portfolio % > 2 years	Min 0%	Max 0%

- (e) Market/Credit Risk: consideration shall be given to the risk that the fair value or the future cash flows of an investment will fluctuate due to changes in market prices, or the risk of failure to repay principal or pay interest of in investment.
- (f) Liquidity Risk:
 - (i) Matching investments with cash flow requirements.
 - (ii) Ensure access is available within seven (7) days to at least \$500,000 or 5% of value of total investments, whichever is greater.
- (g) Counterparty Limits

The following counter party limits will apply under this policy:

Long Term Rating Range	Short Term Rating Range	Maximum Holding %
AAA	A-1+	100
AA	A-2	100
A	A-2	80
BBB	A-3	50
Unrated		30

For the purposes of determining the limits pursuant to this policy, the sum of the cash, cash equivalence (call accounts) and investments held at a point in time shall be considered.

Performance Benchmarks

The performance of the investment portfolio shall ~~be assessed~~ be assessed against the industry standard of the 90-day Bank Bill Swap Rate (BBSW) rate for all investments.

Measurement

As Council holds term deposits only, the value of the investment will generally be its face value at the time of investment.

Reporting and Responsibilities of Council Officers

- (a) The Responsible Accounting Officer shall be responsible for reconciling the investment register monthly and ensuring sufficient records are maintained, including:
 - (i) the source and amount of money invested;

- (ii) particulars of the security or form of investment in which the money was invested;
- (iii) the term of the investment, and
- (iv) ~~If~~ appropriate, the rate of interest to be paid, and the amount of money earned, in respect of money invested.

- (b) A monthly report shall be provided to Council, detailing the investment portfolio in terms of performance, investment institution and amount of each investment.
- (c) The report should also detail each average return percentage against the performance benchmark rates.
- (d) For audit purposes, certificates must be obtained from financial institution confirming the amounts of investment held on the council's behalf at 30th June each year.
- (e) The documentary evidence must provide Council legal title to the investment.

Investment Advisor

Should council engage an investment advisor or finance brokers.

~~If~~ the advisor must be approved by Council and licensed by the Australian Securities and Investment Commission. 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, including that they are not receiving any commissions or other benefits in relation to the investments being recommended or reviewed.

~~Council does not currently engage an independent adviser given that the selected investment type is short term deposits of up to 12 months duration. Council does utilise the services of The finance brokers who are paid by must be licensed by the Australian Securities and Investment commission. commissions charged to financial institutions from time to time.~~

Review of Investment Policy

This policy shall be reviewed annually or if legislative or regulatory changes necessitate earlier amendment.