

Document Control

| Document Name | Document Register Number | Review Date |
|-------------------|--------------------------|--------------------|
| Investment Policy | GOV.POL.0025.001 | April 2015 |
| Date Adopted | Minute Number | Summary of Changes |
| 16 April 2014 | 3746 | Minor Revision |

Purpose

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 liquidity requirements are being met.

- While exercising the power to invest, consideration is to be given to the preservation of capital, liquidity and the return of investment.
- Undertake investment of available funds in line with Council's current practices and any future Investment Strategy.
- Preservation of capital is the principle objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding of the investment portfolio. This includes managing credit and interest risk with identified thresholds and parameters.
- Investments should be allocated to ensure that there is sufficient liquidity to meet all reasonably anticipated cash flow requirements as and when they fall due.
- Maximise earnings from authorised investments and ensure the security of Council funds whilst maintaining a level of support for banks/financial institutions located within Greater Hume Shire.
- Ensure compliance with statutory prudential requirements for accommodation bonds held by Council.
- Ensure residents of all Council's aged care facilities receive repayment of bond balance entitlements on a timely basis and within legislated time frames.

Scope

This policy applies to all employees and Councillors of Greater Hume Shire Council.

Definitions

Nil, as at date adopted.

Policy Content

1. Authorised investments are limited to those allowed by the most current Ministerial Investment Order that has been issued by the NSW Minister for Local Government on 11 February 2011 and are defined as:
 - 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;
- 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.

2. Prohibited Investments

This Investment Policy prohibits investments carried out for speculative purposes including:

- a) Derivative based investments.
- b) Principal only investments or securities that provide potentially nil or negative cash flow; and
- c) Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

3. Risk Management Guidelines

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

- a) Preservation of capital – the requirement for preventing losses in an investment portfolio's total value;
- b) Diversification – setting limits to the amounts invested with a particular financial institution or government authority to reduce credit risk;
- c) Credit risk – the risk that an investment that a council has invested in fails to pay the interest and or repay the principal of an investment.
- d) Maturity risk – the risk relating to the length of term to maturity of an investment. The larger the term, the greater the length of exposure and risk to market volatilities.

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

- a) Local Government Act 1993 – section 625;
- b) Local Government (General) Regulation 2005– Clause 212;
- c) Local Government Act 1993 Investment Orders as issued by the Minister for Local Government
- d) Prudential Compliance (Aged Care) Act 1997 and User Rights Principles 1997 (as amended by the Amendment Principle)

- e) All investments will be in Australian Dollars
- 5. All Investments shall be also in accordance with provisions of Department of Local Government Circulars as issued wherein particular attention is drawn for the need for councils to exercise prudential care when making investment decisions through third parties.
- 6. Quotations on Council's Direct Investments (i.e. Term Deposits, Bank Bills, etc.)
 - a) At least two (2) quotations shall be obtained from authorised institutions when an investment is proposed.
 - b) The term to maturity of any Council's direct investments may range from "At Call" to 18 months or otherwise as approved by Council.
- 7. Documentary evidence must be held for each investment and details thereof maintained in an Investments Register
- 8. The documentary evidence must provide Council with legal title to the investment.
- 9. Certificates must be obtained from the financial institutions confirming the amounts of investments held on Council's behalf as at 30 June each year and reconciled to the Investments Register.
- 10. A monthly report will be provided to Council. The report will detail the investment portfolio in terms of performance, maturity date and changes in market value.
- 11. The Chief Financial Officer and Revenue Accountant have the authority to invest surplus funds.
- 12. Council shall, at least once in each year, review the performance of its investments (individually and as a whole) and review their investment strategy/policy.

Links to Policy

Guarantee of Service Statement

Links to Procedure

Privacy Management Plan

References

Nil.

Responsibility

Director Corporate & Community Services

Relevant Legislation

Local Government Act 1993

Ministerial Investment Order as issued.

Associated Records

Nil, as at date adopted.