

COONAMBLE SHIRE COUNCIL



INVESTMENT POLICY

Approval Date: Date 10 August 2016

Review Date: Date 29 May 2018

Responsible Officer: Bruce Quarmby

OBJECTIVES

To undertake the investment of surplus funds in order to maximise earnings from authorised investments and to ensure the security of Council Funds.

AUTHORITY FOR INVESTMENT

All investments are to be made in accordance with:

- Local Government Act 1993 – Section 625;
- Local Government Act 1993 - Ministerial Investment Order dated 12 January 2011;
- Division of Local Government Circulars;
- Local Government Code of Accounting Practice and Financial Reporting;
- The Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14A (2), 14C (1) & 14C (2);
- Local Government (General) Regulation 2005

DELEGATION OF AUTHORITY

The General Manager, through his delegations, has authorised the Manager of Corporate Services and Finance Officer to invest surplus funds.

AUTHORISED INVESTMENTS

All investments must be denominated in Australian Dollars. The council may only invest money on the forms of investments, as taken directly from the Local Government Act 1993 – Ministerial Investment Order dated 12 January 2011

- 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 200days; 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 (APRA)
- 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 date of this Order which was made in compliance with previous Ministerial Order dated 12 January 2011, and such investments are taken to be in compliance with this Order
- (ii) Paragraph (i) only applies to those investments made before the date of this Order 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.

PROHIBITED INVESTMENTS

This investment 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
- Stand-alone securities issued that have underlying futures, options forward contracts or swaps of any kind

This Policy also prohibits the use of leveraging (borrowing to invest) of an instrument.

Guidelines

(A) *Council's Direct Investments (i.e. Term Deposits, Bank Bills, etc.)*

Product type	Recommended Investment window	Maximum Weighting as % of Total Investment Portfolio
Cash Funds (at-call)	0-180 days	0-100
Term deposits/NCD's/Bank Bills	1-12months	0-100
Fixed Interest Federal and State Government Bonds	1-10 Years	0-20
Floating Rate Notes & Variable Deposits	6mths-10 years	0-30
Rated Bonds and Debentures	1-5 Years	0-20

- (i) Quotations on Investments

- Not less than two (2) quotations shall be obtained from authorised institutions or securities dealers when an investment is proposed.

(ii) Council approved Financial Products

- Term Deposits
- Non callable Deposits (NCD's)
- Bank Accepted Bills
- Debentures
- Government and semi government bonds
- Floating rate notes or re-settable/variable rate term deposits
- Other securities as approved by the Ministers order

(B) *Diversification/Credit Risk Guidelines*

The amount invested should not exceed the following percentages of average annual funds invested per investment category or exceed the prescribed weightings.

The credit rating must be applicable to the product and not solely to the institution or related entity

Long-Term Rating (Standard & Poors)	Short-Term Rating (Standard & Poors)	Maximum %age of Total Investments	Maximum %age per Institution of Total Portfolio
AAA to AA-	A1+	100	50
A+ to A-	A1	80	40
BBB+ to BBB-	A2 to A3	60	35
Non rated Financial Institutions	Non Rated Financial Institutions	30	10

Credit Ratings

- Standard & Poor's and Moody's equivalent ratings are acceptable for investment.
- If any of Council's investments are downgraded in a manner in which they no longer fall within these investment policy guidelines, they will be divested as soon as is practicable.

(C) *Reporting*

- In accordance with the Financial Management Regulation, a monthly report shall be provided to Council, detailing the investment portfolio in terms of performance and amounts with each investment.

- For audit purposes, certificates shall be obtained from the banks, credit unions, building societies and fund managers, confirming the amounts of investment held on Council's behalf at 30th June each year.

(D) *Variation to Policy*

The General Manager or delegated representative shall be authorised to approve variations to this policy of the investment is to Council's advantage and/or due to revised legislation. This investment policy will be reviewed at least once a year or as required in the event of legislative changes.

All changes to this policy are to be reported to Council within 21 days.

APPENDIX A
Local Government Act 1993 (NSW) – Investment Order

LOCAL GOVERNMENT ACT 1993 – INVESTMENT ORDER
(Relating to investments by councils)

I, the Hon. Barbara Perry MP, Minister for Local Government, in pursuance of section 625(2) of the *Local Government Act 1993* and with the approval of the Treasurer, do, by this my Order, notify for the purposes of section 625 of that Act that a council or county council may 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;
- (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 both principal and investment income.

Transitional Arrangements

- (i) Subject to paragraph (ii) nothing in this Order affects any investment made before the date of this Order which was made in compliance with the previous Ministerial Orders, and such investments are taken to be in compliance with this Order.
- (ii) Paragraph (i) only applies to those investments made before the date of this Order 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.

Key Considerations

An investment is not in a form of investment notified by this order unless it also complies with an investment policy of council adopted by a resolution of council.


All councils should by resolution adopt an investment policy that is consistent with this Order and any guidelines issued by the Chief Executive (Local Government), Department of Premier and Cabinet, from time to time.

The General Manager, or any other staff member, with delegated authority by a council to invest funds on behalf of a council must do so in accordance with the council's adopted investment policy.

Councils have a fiduciary responsibility when investing. Councils should exercise the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.

When exercising the power of investment councils should 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 (including commissions, fees, charges and duties payable) of making the proposed investment.

Dated this 12th day of January 2011


Hon BARBARA PERRY MP
Minister for Local Government

Policy Review History

Date	Changes Made	Approved By
10 August 2016	Amended Draft submitted to council	
10 August 2016	Adopted by Council	Min # 2206
29 May 2017	Reviewed no changes	29 May 2017