

POLICY NO: 1.2.4

INVESTMENT POLICY

OBJECTIVES

To:

- take a conservative approach to investments, but with a focus to add value through prudent investment of funds;
- have investment funds achieve an overall return of the UBSW Bank Bill Index;
- achieve a high level of security of the overall portfolio by using recognised rating criteria;
- maintain an adequate level of diversification; and
- have ready access to funds for day to day requirements, without penalty.

POLICY STATEMENT

1. AUTHORITY FOR INVESTMENT

All investments are to be made in accordance with:

- Local Government Act 1995 – Section 6.14.
- The Trustees Amendment Act 1997 – point 6, re: Part 111 Investments.
- The Commonwealth of Australia, Deed of Guarantee 20 November 2008.

2. DELEGATION OF AUTHORITY

Chief Executive Officer or his delegated representative has authority to invest surplus funds.

3. AUTHORISED INVESTMENTS

Authorised Investment shall be limited to:

- Fixed and floating rate interest bearing deposits / securities issued by Authorised Deposit Institutions (ADIs) as authorised by the Australian Prudential and Regulatory Authority (APRA):
- State/Commonwealth Government Bonds;
- Managed Funds with a credit rating of "A-" or better;
- Specific securities approved by Council.

4. **RISK PROFILE**

When exercising the power of investment the following are to be given consideration:

- The purpose of the investment, and its needs together with the circumstances.
- The nature of and the risk associated with the different investments.
- The need to maintain the real value of capital and income.
- The risk of capital loss or income loss.
- The likely income return and the timing that return.
- The liquidity and the marketability of the proposed investment during, and at the determination of the term of, the proposed investment.
- The aggregate value of the investment.
- The costs (including commissions, fees, charges and duties payable) of making the proposed investment.

5. **VARIATION TO POLICY**

The Chief Executive Officer or their delegated representative be authorised to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation.

All changes to this policy are to be reported to Council within 14 days.

Date Adopted:	24 February 1997
Date Amended:	27 March 2001, 27 June 2006, 12 August 2008, 28 July 2009
Date Reviewed:	28 July 2009
Date of Next Review:	July 2014

GUIDELINES AND POLICY PROCEDURES FOR INVESTMENT POLICY – NO 1.2.4

Council's Direct Investments

(i) Quotations on Investments

Not less than three (3) quotations shall be obtained from authorised institutions when an investment is proposed.

(ii) Term to Maturity

- Fixed rate investments up to three (3) years.
- Authorised Deposit Institutions (ADI) floating rate investments of more than one (1) year to legal maturity, subject to the investments having the capacity to be able to be sold at any time before maturity.

(iii) Investment with Fund Managers

Investments with managed funds will be limited to funds rated at either 'A1' short term or 'A-' long term.

1. DIVERSIFICATION/CREDIT RISK

Credit Ratings

The amount invested with any one financial institution or managed fund should not exceed the following percentages of average annual funds.

Long Term Rating (Standard & Poors) or Equivalent	Short Term Rating (Standard & Poors) or Equivalent	Direct Investments Maximum % With any one institution	Managed Funds Maximum % With any one institution	Maximum % of Total Portfolio
AAA Category	A1+	30%	45%	100%
AA Category	A1+	30%	45%	90%
A Category	A1	20%	30%	80%
BBB Category	A2	10%	n/a	20%
Unrated ADI	Unrated	5%	n/a	10%
Govt Guarantee-ADI	Govt Guarantee ADI	\$1 Million	\$1 Million	90%

The short term (0-365 days) rating (as defined by Standard and Poors Australian Ratings) is:

A1+	Extremely strong degree of safety regarding timely payment
A1	A strong degree of safety for timely payment
A2	A satisfactory capacity for timely payment

The long term rating is:

AAA to AAA-	An extremely strong capacity to repay
AA+ to AA-	A very strong capacity to repay
A+ to A-	A strong capacity to repay
BBB+ to BBB-	An adequate capacity to repay

2. PERFORMANCE BENCHMARKS

Investment	Performance Benchmark
Cash/Cash Plus/or Equivalent/Direct Investments	UBSW Bank Bill Index

3. REVIEW/REPORTING

- (i) Policy will be reviewed once a year or as required in the event of legislative changes.
- (ii) A monthly report will be provided to the Council, detailing the investment portfolio in terms of performance and investment weightings of total portfolio.

The report should also detail investment income earned versus budget year to date.

- (iii) For audit purposes, certificates must be obtained from the banks/fund managers confirming the amounts of investment held on the Town's behalf at the 30 June each year.
- (iv) Documentary evidence must be held for each investment in an Investment Register.
- (v) Certificates must be obtained from financial institutions.
- (vi) An annual report (financial year) shall be submitted to the Council reviewing the performance of the portfolio and investment strategy as required by Section 18(3) of the Trustees Act 1962.

4. INVESTMENT PROCEDURE FOR SURPLUS FUNDS

- The amount of funds required to fund the daily operation of the organisation is determined by the Manager Financial Services and the Accountant.
- As a general rule is that a balance of \$500,000 is maintained in the operational bank account.

4.1 Surplus Funds:

- 4.1.1 When surplus funds are available for investment they are invested in accordance with the Investment Policy and Guidelines. Policy No 1.2.4.
- 4.1.2 The Financial Services Accountant will obtain a minimum of three quotes for any Term Deposit or Bank Bills and depending on the policy allocation will recommend an appropriate investment.
- 4.1.3 The investment is presented on an Investment Form Purchase and jointly approved by the Director Corporate Services and the Manager Financial Services.
- 4.1.4 Documentation for any investment is authorised by bank signatures.
- 4.1.5 The Financial Services Accountant will verify that the Investment is received in the bank statement the following business day and note these details on the Investment Form – Purchase.

4.2 Withdrawal of Invested Funds:

- 4.2.1 Funds are recalled from investments when required for use, at the recommendation of the Manager Financial Services and/or Director Corporate Services.
- 4.2.2 The recall is determined on the investment expiry dates and balance in the credit categories as specified in the policy. The investments are to be varied in time to ensure the Town obtains the maximum benefit of longer term investments for the reserve accounts.
- 4.2.3 An investment withdrawal is prepared on an Investment Form. The withdrawal Form must state the officer's name and the dollar amount of the investment being withdrawn. The Form is countersigned by the Director Corporate Services.
- 4.2.4 The Financial Services Accountant will verify the Investment has been withdrawn on the bank statement the following business day and note these details on the Investment Form – Withdrawal.