

<b>Policy title</b>	Investment Policy
<b>Responsible manager(s)</b>	Chief Financial Officer
<b>Contact officer(s)</b>	Chief Financial Officer
<b>Directorate</b>	Finance and Corporate Services
<b>Approval date</b>	
<b>Outcome area</b>	5. Our engaged community with progressive leadership
<b>Strategy</b>	5.3 Work together to achieve our collective vision
<b>Delivery Program</b>	5.3.1 Provide strong corporate and financial management that is ethical, fair, transparent and accountable
<b>Operational Plan</b>	5.3.1.1 Provide sound and strategic financial management and reporting

### Purpose

Eurobodalla Shire Council's policy is designed to ensure that Council's investments reflect the preference to reduce risk and comply with current Office of Local Government (OLG) Investment Policy Guidelines, 'best practice' and the current Ministerial Order.

Both the policy and investing practices of Council must comply with Section 625 of the *Local Government Act 1993*.

The Ministerial Investment Order as at 12 January 2011 was current at the date of adopting this policy and is included in this document (see [Appendix 1](#)).

In formulating this policy, Council has considered the 'Investment Policy Guidelines' issued by the OLG in May 2010. The guidelines are non-binding, however, are considered best practice and should be integrated into the established investment policy.

### Policy aims

This policy provides a framework for investing Council funds to maximise return on investment, whilst considering legal requirements, risk and security of Council's investments.

The policy aims to ensure:

- Legal and statutory requirements are met.
- Investments are allocated appropriately to ensure there is sufficient liquidity to meet anticipated cash flow requirements, including maintaining sufficient working capital funds to carry out Councils strategic plan (outlined in the delivery program and operational plan).
- To generate income that meets, or exceeds performance benchmarks in line with the Council's risk tolerance.

### Policy statement

<b>1</b>	<b>Application</b> This policy applies to the investment of Eurobodalla Shire Council's surplus funds.
<b>2</b>	<b>Legislation</b> All investments are to comply with the following: <ul style="list-style-type: none"> <li>• Local Government Act 1993</li> <li>• Local Government (General) Regulation 2021</li> </ul>

	<ul style="list-style-type: none"> <li>• Ministerial Investment Order – 12 January 2011</li> <li>• The Trustee Amendment (Discretionary Investments) Act 1997 – Section 14</li> <li>• Local Government Code of Accounting Practice and Financial Reporting</li> <li>• Australian Accounting Standards</li> <li>• OLG Investment Policy Guidelines; and</li> <li>• OLG Circulars</li> </ul>
<b>3</b>	<p><b>Delegation of Authority</b></p> <p>Authority for implementation of the Investment Policy is delegated by Council to the General Manager in accordance with the Local Government Act 1993.</p> <p>The General Manager may in turn delegate the day-to-day management of Council's Investment to the Responsible Accounting Officer or senior staff, subject to regular reviews.</p> <p>Officers' delegated authority to manage Council's investments shall be recorded and required to acknowledge they have received a copy of this policy and understand their obligations in this role.</p>
<b>4</b>	<p><b>Prudent Person Standard</b></p> <p>The investment will be managed with the 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.</p>
<b>5</b>	<p><b>Ethics and Conflicts of Interest</b></p> <p>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. Independent advisors are also required to declare that they have no actual or perceived conflicts of interest.</p>
<b>6</b>	<p><b>Approved Investment</b></p> <p>Investments are limited to those allowed by the most current Ministerial investment Order that has been issued by the NSW Minister for Local Government.</p> <p>Council will seek out sustainable investment options that align with the investment policy objectives, risk parameters and legislation. The rate of return should be at least equal to comparable investments. Sustainable investments can refer to the issuer of the investment, or the investment product. Where possible, sustainable investments should be endorsed by an accredited environmentally and socially responsible industry body or institution.</p>
<b>7</b>	<p><b>Risk Management</b></p> <p>All investments entail some risk. Generally, the higher the anticipated rate of return of an investment, the higher the risk and variability of investment returns. Investing should produce a diversified portfolio that reflects reasonable market return.</p> <p>The Ministerial Order has identified the types of investments Council is allowed to invest money in. This is the basis for a cautious approach to investing of Councils surplus funds. The Ministerial Order can be found at attachment A.</p>

	<p>The following criteria is to be considered when investing Council funds:</p> <ul style="list-style-type: none"><li>• Preservation of Capital – the requirement for preventing losses in an investment portfolio’s total value (considering the time value of money).</li><li>• Diversification – limiting the amounts invested with a particular financial institution or government authority to reduce credit risk.</li><li>• Credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in financial loss to Council.</li><li>• Market risk – the risk that the fair value or future cash flows of an investment will fluctuate due to changes in market prices.</li><li>• Liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.</li><li>• Maturity risk – the risk relating to the length of term to maturity of the investment. The larger the term, the greater the length of exposure and risk to market volatilities.</li></ul>																																						
7.1	<p><b>Investment Parameters</b></p> <p>Council seeks to minimise risk by investing funds within the parameters outlined below:</p> <table><tr><th>S&amp;P Long Term Category</th><th>Maximum % of Portfolio</th><th>Counterparty Limit*</th><th>Maximum Tenor (years)</th></tr><tr><td>TCorp</td><td>100%</td><td>100%</td><td>N/A</td></tr><tr><td>AAA</td><td>100%</td><td>100%</td><td>N/A</td></tr><tr><td>AA+ to AA-</td><td>100%</td><td>50%</td><td>5.0</td></tr><tr><td>A+ to A</td><td>100%</td><td>40%</td><td>5.0</td></tr><tr><td>A-</td><td>40%</td><td>30%</td><td>5.0</td></tr><tr><td>BBB+</td><td rowspan="2">30%</td><td>20%</td><td>5.0</td></tr><tr><td>BBB</td><td>10%</td><td>3.0</td></tr><tr><td>BBB- &amp; below: local ADIs</td><td rowspan="2">5%</td><td>5%</td><td>1.0</td></tr><tr><td>BBB- &amp; below: other</td><td>\$250k</td><td>1.0</td></tr></table> <p>*Counterparty limit refers to the maximum exposure to individual counterparties/financial institutions.</p>	S&P Long Term Category	Maximum % of Portfolio	Counterparty Limit*	Maximum Tenor (years)	TCorp	100%	100%	N/A	AAA	100%	100%	N/A	AA+ to AA-	100%	50%	5.0	A+ to A	100%	40%	5.0	A-	40%	30%	5.0	BBB+	30%	20%	5.0	BBB	10%	3.0	BBB- & below: local ADIs	5%	5%	1.0	BBB- & below: other	\$250k	1.0
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8	<p><b>Benchmarking</b></p> <p>The performance of Council’s investments will be assessed against the AusBond Bank Bill Index (Net of Fees and Expenses). Funds invested in TCorp IM Managed Funds will be assessed against the fund’s internal benchmark.</p>																																						
9	<p><b>Unacceptable investments</b></p> <p>Any investment that falls outside the Minister’s order or not included in this policy. All investments must be denominated in Australian Dollars and comply with the Minister’s determination.</p>																																						
10	<p><b>Safe custody arrangements</b></p> <p>Where necessary, investments may be held in safe custody on Council’s behalf, as long as the following criteria are met:</p> <ul style="list-style-type: none"><li>• Council must retain beneficial ownership of all investments</li></ul>																																						

	<ul style="list-style-type: none"> <li>• Adequate documentation is provided, verifying the existence of the investments at inception, in regular statements and for audit</li> <li>• The Custodian conducts regular reconciliation of records with relevant registries and/or clearing systems; and</li> <li>• The Institution or Custodian recording and holding the assets will be: <ul style="list-style-type: none"> <li>○ The Custodian nominated by TCorp IM for its Funds</li> <li>○ Austraclear; or</li> <li>○ An investment-grade institution by Standard and Poor's, Moody's, or Fitch rating; or</li> <li>○ An institution with adequate insurance, including professional indemnity insurance and other insurances considered prudent and appropriate to cover its liabilities under any agreement</li> </ul> </li> </ul>
<b>11</b>	<p><b>Other Forms of Investment</b></p> <p>Internal loans are acceptable subject to any legal requirements noting that Ministerial approval is, at the time of adopting this policy, required for internal investing/borrowing arrangements to or from externally restricted funds, however such arrangements must not compromise liquidity or compliance with industry standards for financial ratios.</p> <p>Separate Council policies address interest-free loans to community groups and similar entities.</p>

### Review

In accordance with the OLG Investment Policy Guidelines, this policy will be reviewed annually or as needed should:

- (a) Legislation require it.
- (b) Council's functions, structure or activities change.

### Definitions

Word/Term	Definition
Act	<i>Local Government Act 1993</i>
Council funds	Surplus monies that are invested by Council in accordance with s625 <i>Local Government Act 1993</i> .
Credit Risk	The risk of ultimately not being able to redeem the funds.
Interest risk	The potential for investment losses via the decline in value of the investment that can be triggered by unexpected fluctuations in interest rates.
Investments	Money that is not, for the time being, required by the council for any other purpose
OLG	Office of Local Government
Prudent Person	A prudent person is expected to act with considerable duty of care, not as an average person would act, but as a wise, cautious and judicious person would.
TCorp	New South Wales Treasury Corporation

## Governance

This policy should be read in conjunction with any related legislation, codes of practice, relevant internal policies, and guidelines.

### *Related legislation and policies*

Name	Link
<i>Local Government Act 1993</i>	<a href="http://www.austlii.edu.au/au/legis/nsw/consol_act/lga1993182">www.austlii.edu.au/au/legis/nsw/consol_act/lga1993182</a>
Local Government (General) Regulation 2021	<a href="https://legislation.nsw.gov.au/view/html/inforce/current/sl-2021-0460">https://legislation.nsw.gov.au/view/html/inforce/current/sl-2021-0460</a>
Trustee Amendment (Discretionary Investments) Act 1997	<a href="http://www.legislation.nsw.gov.au/sessionalview/sessional/act/1997-102.pdf">www.legislation.nsw.gov.au/sessionalview/sessional/act/1997-102.pdf</a>
Ministerial Investment Order 12 January 2011 Appendix A	<a href="http://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20Code%20Update%2025%20-%20Appendices.pdf">www.olg.nsw.gov.au/sites/default/files/OLG%20-%20Code%20Update%2025%20-%20Appendices.pdf</a>
<i>OLG Local Government Code of Accounting Practice and Financial Reporting 2009</i>	<a href="#">Financial Reporting - Office of Local Government NSW</a>
<i>OLG Investment Policy Guidelines</i>	<a href="http://www.olg.nsw.gov.au/sites/default/files/Investment-Policy-Guidelines-May-2010.pdf">www.olg.nsw.gov.au/sites/default/files/Investment-Policy-Guidelines-May-2010.pdf</a>

### *Related external references*

Name	Link
Office of Local Government (OLG)	<a href="http://www.olg.nsw.gov.au/">www.olg.nsw.gov.au/</a>

### *Supporting documents*

Name	Link
OLG Circular re: Revised Ministerial Order (17 Feb 2011)	<a href="http://www.olg.nsw.gov.au/sites/default/files/11-01_0.pdf">www.olg.nsw.gov.au/sites/default/files/11-01_0.pdf</a>

### *Change history*

Version	Approval date	Approved by	Minute	File	Change
1	22 Sep 2011	Council		E05.9513 E06.0355	Policy commenced
2	10 Sep 2013	Council	13/272	E05.9513 E06.0355 E13.7095	Report O13/56 Updated formatting, review date, references and links
3	12 May 2015	Council	15/31	E05.9513 E06.0355	Report FBD 15/034 - updated to reflect changes in banking
4	13 Jun 2017	Council	17/181	E05.9513 E06.0355 E16.0297	Reviewed, minor formatting updates
5	12 Dec 2017	Council	17/393	E00.4623	Investment review

6	27 Mar 2018	Council	18/6	E00.4623	Report CCS18/012 – amended policy adopted
7	31 July 2018	Council	18/030	E00.4623	Report CCS18/030 – amended policy adopted
8	TBA	Council	TBA	TBA	Reviewed and updated

## Internal use

Responsible officer		Chief Financial Officer		Approved by	Council
File no	E06.0355 E05.9513	Council report	TBA	Approved date	TBA
Min no	TBA	Review date	May 2022	Pages	8



## APPENDIX 1 – Ministerial Investment Order 12 Jan 2011

**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 12<sup>th</sup> day of January 2011

  
Hon BARBARA PERRY MP  
Minister for Local Government