

1. Purpose

The purpose of this policy is to provide a framework for the investing of Warrumbungle Shire Council's surplus funds at the most favourable rate of interest available to it at the time whilst having due consideration of risk and security for that investment type and ensuring that its liquidity requirements are being met.

2. Objectives of the Policy

Council's Investment Policy is a governing document that guides the investment process and communicates Council's:

- Investment philosophy;
- Overall risk philosophy;
- Investment objectives and expectations;
- Ethical considerations;

Council's Investment Policy also identifies the roles for those involved in the investment process, and details the requirements for compliance with the policy's goals and procedures.

The policy reinforces Council's ongoing commitment to maintain a conservative risk and return portfolio, an important component of its ongoing prudent financial management practices.

3. Policy Scope

This policy applies to all investments and funds managed by Council.

Investments are maintained to meet specified business needs, including:

- Strategic purposes consistent with Council's long-term strategic plan; and
- Holding short-term investments for working capital requirements.

4. Relevant Legislation and Guidelines are:

All investments are to be made in accordance with:

- Australian Accounting Standards;
- NSW Office of Local Government Investment Circulars;
- NSW Office of Local Government Investment Policy Guidelines;
- Local Government (General) Regulation 2021 – Clause 212;
- Local Government Act 1993 (particularly section 625);
- NSW Local Government Code of Accounting Practice & Financial Reporting;
- Minister's Investment Order (gazetted); and
- The Trustee Amended (Discretionary Investments) Act 1997 – Section 14A(2), 14C(1) & (2).

5. Background

The OLG's Investment Policy Guidelines which guides Council's investment decisions requires that Councils maintain an Investment Policy that complies with the Local Government Act (LGA), the Local Government (General) Regulation 2021 (LGGR), and the Ministerial Investment Order (MIO) and ensure it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

	Investment Policy
	Strategic

Council's Investment Policy has been prepared to adhere to these requirements and to provide an overarching document that details Council's investment philosophy, overall risk philosophy, investment objectives and considerations, as well as detailing responsibilities and limits on what Council can and can't invest in.

6. Policy Statement
Investment Considerations

While exercising the power to invest, consideration is to be given to the preservation of capital, liquidity, diversification of investments, and maximising the return of investment.

- Preservation of capital is the principal objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- Investments should be allocated to ensuring there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring the risk of significant costs due to the unanticipated sale of an investment.
- Investments are expected to achieve a market average rate of return in line with the Council's risk tolerance.

Delegation of Authority

Authority for implementation of the Investment Policy is delegated by Council to the General Manager in accordance with the Local Government Act 1993.

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.

Officers' delegated authority to manage Council's investments shall be recorded and officers will be required to acknowledge they have received a copy of this policy and understand their obligations in this role.

Prudent Person Standard

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 portfolio 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.

Independent advisors (if appointed) are also required to declare that they have no actual or perceived conflicts of interest.

Approved Investments

All investments must be denominated in Australian Dollars. Authorised Investments are limited to those allowed by the Ministerial Investment Order and include:

- Commonwealth/State/Territory Government securities eg. Bonds;

- Interest bearing deposits/senior securities issued by an eligible Authorised Deposit Taking Institution (ADI);
- Bills of exchange, (< 200 days duration) guaranteed by an ADI;
- Debentures issued by NSW Local Government;
- Deposits with NSW Treasury &/or Investments in T-Corp's Hour Glass Facility; and
- Investments grandfathered under the Ministerial Investment Order.
- Investments in a financial institution with a Credit Rating Group of High Grade and below is only made if its head office is based in Australia.

Prohibited Investments

In accordance with the Ministerial Investment Order, 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, forwards contracts and swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

Risk Management Guidelines

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

- Preservation of Capital – the requirement for preventing losses in an investment portfolio's total value (considering the time value of money);
- Diversification – setting limits to the amounts invested with a particular financial institution or government authority to reduce credit risk;
- Credit risk – the risk that an institution council has invested in fails to pay the interest and or repay the principal of an investment.
- Market Risk – the risk that the fair value or future cash flows of an investment will fluctuate due to changes in market prices;
- Liquidity Risk – the risk an investor is unable to redeem the investment at a fair price within a timely period; and
- Maturity Risk – the risk relating to the length of term to maturity of the investment. The longer the term, the greater the length of exposure to risk and volatilities.

	Investment Policy
	Strategic

Credit Rating

The following credit rating criteria apply to Council investments:

- Non-Local Term Investments, ie. No branch in the Council area, must have an investment grade credit rating.
- Locally sourced Term investments, ie. Have a branch(es) in the Council area, may be placed under the prudent person standard, notwithstanding that they may be unrated. In the case of an unrated institution then Term deposits will be deemed to be “A Category”.
- The credit rating structure of the total portfolio must comply with the following table:

Credit Rating / Organisation	Maximum Holding (As a % of Total Portfolio)	Direct Securities Maximum Limit (As a % of Total Portfolio)
NSW Government	100%	100%
AAA Category	100%	45%
AA Category or ADI's within either the ANZ, CBA, NAB, or WBC (“Big Four”)	100%	35%
A Category	60%	25%
BBB Category	45%	15%
Unrated Category	5%	5%

- *Credit ratings apply to both products and institutions.* This policy requires the rating applicable to the institution responsible for the product (e.g. guarantor) to be taken as the relevant rating given this represents the underlying risk to Council.
- *Credit risk investment parameters are based on credit rating bands as published by the credit rating agencies (e.g. S&P, Moody's, Fitch). If an investment is rated by more than one ratings agency, the credit rating to be used will be based on the order of S&P, Moody's and then Fitch. In the event of disagreement between agencies as to the rating band (“split ratings”) Council shall use the higher in assessing compliance with portfolio policy limits, but for conservatism shall apply the lower in assessing new purchases.*

Investments in a financial institution with a Credit Rating Category of A and below is only made if its head office is based in Australia.

Term to Maturity Framework

The term to maturity framework specifies the maximum amount of percentages of Council's total investment portfolio that can be held within the various investment maturity bands.

Maximum thresholds are set to control the proportion of the total portfolio that can be invested into longer term investments to ensure that Council has adequate access to short and medium-term liquidity to satisfy its business objectives. The maximum thresholds reduce as the maturity horizon extends further into the future.

	Investment Policy		
	Strategic		

	< 1 Year	1 to 3 Years	3 to 5.5 Years
Maximum % of Total Portfolio	100%	50%	20%

Minimum thresholds are set to ensure that there will always be an adequate amount of liquidity available for ongoing working capital purposes. Remaining funds are invested across the various investment horizons, seeking the best relative value at the time of investment.

	< 1 Year
Minimum % of Total Portfolio	50%

If any Council's investments are downgraded subsequently they will be moved to another approved financial institution upon maturity or as soon as practicable.

Investment Advisor

Council may choose to appoint an investment advisor to assist Council in investing available funds.

The Council's investment advisor (if appointed) 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.

Measurement of Long-Term Investments

Investment returns for any long-term portfolio are to be regularly reviewed by an independent financial advisor by assessing the fair market value of the portfolio. The market value is to be assessed at least yearly to coincide with annual reporting requirements and will be recorded at "fair value".

Benchmarking

Performance benchmarks need to be established and should be based on a sound and consistent methodology. Council has chosen the 3-month Bank Bill Swap Reference Rate (BBSW) as the appropriate benchmark to measure its investment performance, and reports on the performance of its investments portfolio on a monthly basis.

Reporting and Reviewing of Investments

Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.

The documentary evidence must provide Council legal title to the investment.

Certificates must be obtained from the financial institutions confirming the amounts of investments held on the Council's behalf as at 30 June each year and reconciled to the Investment Register.

All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis.

A monthly report will be provided to Council. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date and changes in market value (for marketable instrument only).

This Investment Policy will be reviewed at least once a year or as required in the event of legislative changes. The Investment Policy may also be changed as a result of other amendments that are to the advantage of the Council and in the spirit of this policy. Any amendment to the Investment Policy must be by way of Council resolution.

7. Definitions

Term	Meaning
Authorised Deposit Taking Institution (ADI)	An institution that is authorised under the Banking Act 1959 to accept term deposits and conduct banking activities in accordance with the Act and under the prudential supervision of the Australian Prudential Regulation Authority (APRA).
BBSW	The Bank Bill Swap Rate (BBSW), or Bank Bill Swap Reference Rate, is a short-term interest rate used as a benchmark for the pricing of Australian dollar derivatives and securities, most notably floating rate securities. The BBSW is calculated daily. Floating rate securities are most commonly reset quarterly to the 90-day BBSW.
Debentures	A type of bond or other debt instrument that is unsecured by collateral.
Fair Value	The Australian Accounting Standards Board defines Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Grandfathered Investments	Grandfathered investments are a part of total investments and comprise: <ul style="list-style-type: none"> • Investments where new investment activity is prohibited by regulation • Other investments over which new investment activity is temporarily prohibited due to unintentional breaches of investment thresholds and limitations that arise due to changes in

the level of unrelated investments within the portfolio, (the prohibition only remains as long as the breaches remain in place).

8. Responsibilities

Council's Finance Department is responsible for the day to day application of the policy.

9. Getting Help

The staff member/s that can assist with enquiries about the policy:

Position: Chief Financial Officer

Directorate: Corporate and Community Services

10. Version Control

Staff Member Responsible for Review: Chief Financial Officer.

VERSION CONTROL			
Policy Name	Id No and	Resolution	Date Adopted
Investment Policy	1	30	16 April 2009
Investment Policy	2	46	24 June 2010
Investment Policy	3	40	16 June 2011
Investment Policy	4	105/1314	19 September 2013
Investment Policy (Including Ethical)	5	111/1718	21 September 2017
Investment Policy	6	368/1718	19 April 2018
Investment Policy	7	52/2021	20 August 2020
Investment Policy	8	140/2122	18 November 2021
Investment Policy	9	184/2223	8 December 2022
Investment Policy	10	16/2425	18 July 2024
Next Review Date:July 2025		