

**Council Policy
CP011
Investment Policy**

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|---|----------------------------|--------------------------------|--|
| Officer | Manager Finance & Treasury | Owner | Director Corporate & Commercial Services |
| Review frequency | Triennially | Next review | Aug 2018 |
| Council resolution number and date | | | |
| Mayor | | Chief Executive Officer | |

OBJECTIVE

To provide guidelines for the investment of council funds.

SCOPE

This policy applies to all investments associated with the operation of the City of Greater Geraldton.

DEFINITIONS

City means the City of Greater Geraldton.

Council means the Council of the City of Greater Geraldton.

Councillor means a person who holds the office of Councillor on the Council.

Mayor means the Mayor elected by electors of the district of the City of Greater Geraldton.

CEO means the Chief Executive Officer of the City.

Employee means a person employed by the City under section 5.36 of the LGA.

Act or LGA means the *Local Government Act 1995*.

POLICY

1. The City of Greater Geraldton shall invest its surplus funds with due consideration of risk and at the most favourable rate of interest available to it at the time, while ensuring that its liquidity requirements are being met.
2. While exercising the power to invest, consideration is to be given in preservation of capital, liquidity and the return of investment.
3. Preservation of capital is the principle objective of the investment portfolio. Investments are to be performed 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.
4. The investment portfolio will ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.
5. The investment is expected to achieve a predetermined market average rate of return that takes into account the Council's risk tolerance. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

Legislative Requirements

All investments are to comply with the following:

- Local Government Act 1995 – Section 6.14
- The Trustees Act 1962 – Part III Investments
- Local Government (Financial Management) Regulations 1996 – Regulation 19, 28 and 49
- Australian Accounting Standards Board (AASB)

Prudent Person Standard

The investment will be managed with the care, diligence and skill that a prudent person would exercise. Officers are able to manage the investment portfolios 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 CEO.

Approved Investments

Without approval from Council, investments are limited to:

- State / Commonwealth Government Bonds
- Interest bearing deposits
- Bank accepted / endorsed bank bills
- Commercial Paper
- Bank negotiable Certificates of Deposits

Prohibited Investments

Unless explicitly authorised by Council, this investment policy prohibits any investments in:

- Derivative based instruments
- Principal only investments or securities that provide potentially nil or negative cash flow
- Stand-alone securities issued that have underlying futures, options, forward 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 comply with two key criteria relating to:

- Portfolio Credit Framework – limit overall credit exposure of the portfolio.
- Counterparties Credit Framework – limit exposure to individual counterparties / institutions.

Overall Portfolio Limits:

To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

| S&P Long Term Rating | S&P Short Term Rating | Direct Investment Maximum % |
|----------------------|-----------------------|-----------------------------|
| AAA to AA- | A-1+ | 100% |
| A+ | A-1+ to A-1 | 100% |
| A to A- | A-1 to A-2 | 60% |

Counterparty Credit Framework:

Exposure to an individual counterparty/institution will be restricted by its credit rating so that single entity exposure is limited, as detailed in the table below.

| S&P Long Term Rating | S&P Short Term Rating | Direct Investment Maximum % |
|----------------------|-----------------------|-----------------------------|
| AAA to AA- | A-1+ | 60% |
| A+ | A-1+ to A-1 | 50% |
| A to A- | A-1 to A-2 | 40% |

Note: The "Direct Investment Maximum %" only applies if the City's investment portfolio at any one time exceeds \$7 million.

If any of the City of Greater Geraldton investments are downgraded such that they no longer fall within the investment policy, they will be divested as soon as practicable.

6. Investment Advisor

Should the City of Greater Geraldton wish to employ the services of an investment advisor it must be 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 City must advise Councillors if it engages an investment advisor.

ROLES AND RESPONSIBILITIES

The Manager of Finance & Treasury is responsible for implementing this Policy.

WORKPLACE INFORMATION/REFERENCES

Local Government Act 1995

City of Greater Geraldton's Code of Conduct.