



Council Policy CP 011 Investment Policy			
Officer	Manager Financial Services	Owner	Director of Treasury and Finance
Review Frequency	Biennially	Next Review	2014
Council Resolution number and date		OP0002 – 24 July 2012	
Mayor		Chief Executive Officer	

OBJECTIVE

To provide guidelines for the investment of surplus council funds.

SCOPE

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

DEFINITIONS

CEO means the Chief Executive Officer of a local government.

Councillor means a person who holds the office of councillor on a council.

Mayor means a person elected by the electors to hold the office of Mayor.

Employee means:

- a) A person by whom work is done under a contract of employment;
- b) An apprentice; or trainee;
- c) Person employed as a contractor.

POLICY PRINCIPLES

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:

- a) Local Government Act 1995 – Section 6.14
- b) The Trustees Act 1962 – Part III Investments
- c) Local Government (Financial Management) Regulations 1996 – Regulation 19, 28 and 49
- d) 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:

- a) State / Commonwealth Government Bonds
- b) Interest bearing deposits
- c) Bank accepted / endorsed bank bills
- d) Commercial Paper
- e) Bank negotiable Certificates of Deposits
- f) Managed Funds with a minimum long term Standard and Poor (S&P) rating of 'A' and short term rating of 'A2'

Prohibited Investments

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

- a) Derivative based instruments
- b) Principal only investments or securities that provide potentially nil or negative cash flow
- c) 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 three key criteria relating to:

- a) Portfolio Credit Framework – limit overall credit exposure of the portfolio.
- b) Counterparties Credit Framework – limit exposure to individual counterparties / institutions.
- c) Term to Maturity Framework – limits based upon maturity of securities.

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 %	Managed Funds Maximum %
AAA	A1+	100%	100%
AA	A1	100%	100%
AA-	A2	60%	80%

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. Only multiple investments in AAA or A1+ institutions can be made from the table below.

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum %	Managed Funds Maximum %
AAA	A1+	45%	50%
AA	A1	35%	45%
AA-	A2	20%	40%

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.

Term to Maturity Framework

The investment portfolio is to be invested within the following maturity constraints

Overall Portfolio Term to Maturity Limits

Portfolio % < 1 year	100 Max; 40% Min
Portfolio % > 1 year	60%
Portfolio % > 3 year	35%
Portfolio % > 5 year	25%

Individual Investment Maturity Limits

ADI	5 Years
Non ADI	3 Years

(ADI – Approved Deposit – taking Institution)

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.

7. Benchmarking

Performance benchmarks need to be established.

Investment	Performance Benchmark
Cash	Cash Rate
Enhanced / Direct Investments	UBSWA Bank Bill
Diversified Funds	CPI + appropriate margin over rolling 3 year periods (depending upon composition of fund)

8. Reporting and Review

A monthly report will be provided to Council in support of the monthly statement of activity. The report will detail the investment portfolio in terms of performance, percentage exposure to total portfolio, maturity dates and changes in market value.

WORKPLACE INFORMATION

Local Government Act 1995
City of Greater Geraldton's Code of Conduct.

ROLES AND RESPONSIBILITIES

The Manager of Financial Services is responsible for implementing this Policy.