POLICY:	
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Current Policy adopted by Council:	20 August 2026
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Next Policy Review Date:	2029

PROCEDURES/GUIDELINES:-	
Date procedure/guideline was developed:	
Procedure/guideline reference number:	

RESPONSIBILITY:-	
Draft Policy developed by:	Director Finance and Administration
Committee/s (if any) consulted in the development of this Policy:	Audit, Risk and Improvement Committee
Responsibility for implementation:	Chief Executive Officer
Responsibility for review of Policy:	Chief Financial Officer

PURPOSE

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

While exercising the power to invest, consideration shall be given to the preservation of capital, liquidity, and the return on investment. Objectives include:

- 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. In setting these limits Council is determining the general level of risk that is acceptable for public monies managed for the Upper Lachlan Shire community;

- Investments should be allocated to ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due; and

- To establish a framework for monitoring the investments and comparing performance to appropriate benchmarks. Investments are expected to achieve a rate of return in line with the Council's risk tolerance.

SCOPE

This Policy applies to all Council money available for investment, including unrestricted funds and funds subject to external or internal restrictions within the General, Water and Sewer Funds. Investments may be pooled for operational purposes, provided the source of funds, applicable restrictions and allocation of investment earnings remain identifiable in Council's records.

This Policy applies to Councillors, the Chief Executive Officer, the Responsible Accounting Officer, officers with delegated investment authority, relevant finance staff, advisers, relevant Council committees, brokers and custodians involved in the governance, selection, approval, placement, settlement, custody, recording, monitoring or reporting of Council's investments.

POLICY STATEMENT

An Investment Policy is a governing document that guides a Council's investment process including; risk philosophy, investment strategy, and investment objectives and expectations.

It is essential that a policy be adopted to promote good governance and prudent decision making, incorporating the provisions of *Section 625, of the Local Government Act 1993*, the Local Government Regulations, and the Ministerial Investment Order.

LEGISLATIVE REQUIREMENTS

The following legislation, Council policies, and other documents relevant to the operation of this policy include:

- Local Government Act 1993;
- Local Government (General) Regulation 2021;
- Ministerial Investment Order;
- Local Government Code of Accounting Practice and Financial Reporting (the Code);
- Government Information (Public Access) Act 2009;
- State Records Act 1998;
- Trustee Act 1925;
- Council's Internal Controls and Procedures Manual;
- Office of Local Government (OLG) Circulars;
- Investment Policy Guidelines 2010 - NSW Office of Local Government.

DELEGATION OF AUTHORITY

Authority for implementation of this Policy is delegated by Council to the Chief Executive Officer, being Council's General Manager for the purposes of the Local Government Act 1993 (the Act).

The Chief Executive Officer 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.

Council 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.

The Council Officers with delegated authority to invest funds on behalf of Council are the Chief Executive Officer, the Director Finance and Administration and the Chief Financial Officer.

The placement of Council funds in investments under section 625 of the Act is not procurement of goods or services. The procurement of investment advisory, brokerage, custodial or related services remains subject to Council's Procurement Policy.

An investment form will be completed for all investments to ensure appropriate documentation of the investment decision. All decisions require approval by two Officers who have the appropriate delegation from the Chief Executive Officer.

PRUDENT PERSON STANDARD

Councils have a fiduciary responsibility when investing. The investment will be managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.

As custodians of public funds, officers must safeguard Council's investment portfolio, comply with applicable legislation, the Ministerial Investment Order and this Policy, and must not invest for speculative purposes.

For each term deposit placement or renewal, the Council Officer must obtain at least two competitive quotations from eligible authorised deposit-taking institutions, where reasonably practicable. Where two quotations cannot be obtained, the reason must be documented in the investment form. Selection must consider security, liquidity, diversification, maturity and return and is not required to be based solely on the highest interest rate quoted.

ETHICS AND CONFLICTS OF INTEREST

Council 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 Chief Executive Officer.

The Council Audit, Risk and Improvement Committee members and the independent investment advisors are required to declare that they have no actual or perceived conflicts of interest.

APPROVED INVESTMENTS

New investments are limited to those allowed by the most current Ministerial Investment Order and include:-

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; (< 200 days duration), guaranteed by an authorised deposit-taking institution;

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.

Note: All investments must be denominated in Australian Dollars.

PROHIBITED INVESTMENTS

All investments outside the Ministerial Investment Order guidelines are prohibited.

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

RISK MANAGEMENT GUIDELINES

When exercising the power of investment Councils should consider, but not be limited by, the risk of capital or income loss, 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, anticipated market changes and interest rate movements, 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 (*from Ministerial Investment Order 12 January 2011*).

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 of Financial Institution – the requirement to place investments in a broad range of institutions so as not to be over exposed to a particular organisation within the investment market and to reduce credit risk;
- Credit Risk - the risk that an investment that Council has made 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 larger the term, the greater the length of exposure and risk to market volatilities.

INVESTMENT STRATEGY

An Investment Strategy will run in conjunction with the Investment Policy. The Investment Strategy will be reviewed by the Audit, Risk and Improvement Committee of Council.

The Investment Strategy will outline:
- Council's cash flow expectations;
- To identify the most appropriate mix of investment classes for the next reporting period;
- Optimal target allocation of investment types, credit rating exposure of financial institutions and funding instrument and term to maturity exposure; and

- Appropriateness of overall investment types for Council's portfolio; i.e. term deposit and call accounts.

INVESTMENT ADVISOR

If an investment advisor is engaged they must be approved by Council and licensed by the Australian Securities and Investment Commission (ASIC). The NSW Government has provided a waiver to certain provisions within OLG's Investment Policy Guidelines to allow councils to engage NSW Treasury Corporation (TCorp) in the provision of investment advice.

The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended. The investment advisor may recommend 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.

PORTFOLIO PERFORMANCE, DIVERSIFICATION AND MATURITY LIMITS

The performance of the investment portfolio, including interest income and the portfolio rate of return against the benchmark specified in Council's Investment Strategy, must be measured monthly and reported to Council by the Responsible Accounting Officer or delegate.

The features of an investment security are to be consistent with the time horizon, risk and liquidity parameters of Council as set out in its Investment Strategy. The maximum percentage that may be held with a financial institution is 25% of Council's total investment portfolio at a point in time. Related entities and trading names operating under the same ADI licence or corporate group must be aggregated.

The investment portfolio is to be invested within the following term to maturity constraints. The Council Investment Portfolio Term to Maturity limits are:

Remaining Term to Maturity	Maximum Portfolio Exposure
≤ 3 Months	75%
> 3 Months ≤ 1 Year	60%
> 1 Year ≤ 3 Years	25%
> 3 Years ≤ 5 Years	5%
> 5 Years	0%

These are maximum exposure limits for each maturity band and are not intended to total 100%.

Council must maintain sufficient funds in at-call accounts to meet forecast cash flow requirements and a reasonable operational contingency. At-call balances must comply with the applicable credit-quality and counterparty limits and be reviewed monthly. The operational target for at-call funds will be established in Council's Investment Strategy.

Any breach of this Policy, including a temporary breach arising from operational cash receipts, investment maturities or a credit rating downgrade, must be reported promptly to the Responsible Accounting Officer and Chief Executive Officer. The breach, its cause and the corrective action taken or proposed must be reported to Council at the next ordinary meeting. The breach must be rectified as soon as reasonably practicable, having regard to the security and liquidity of Council's investments.

CREDIT QUALITY

Credit ratings are an important risk indicator but must not be relied upon in isolation, particularly given differences in the structure and complexity of investment products.

Council's portfolio credit-quality guidelines adopt the S&P long-term rating framework. Where an S&P long-term rating is available, that rating will be used for determining compliance with the portfolio credit limits. Where an S&P rating is not available, the Fitch rating will be used, followed by the Moody's rating converted to its S&P/Fitch equivalent.

Note: Any rating issued by another recognised rating agency that would place the institution in a lower portfolio credit category, together with any downgrade, negative outlook or credit watch, must be considered and documented before an investment is made or renewed.

Where a credit-rating downgrade or withdrawal causes a breach, no additional or renewed investment may be made with that counterparty. The investment must be reviewed promptly, reported in accordance with the breach-reporting requirements of this Policy and managed at the earliest prudent opportunity.

The maximum holding limit in each rating category for Council's portfolio shall be:

Long Term Rating Range	Maximum Portfolio Exposure
AAA category	100%
AA category	100%
A category	70%
BBB category	30%
Unrated ADIs	0%

BENCHMARKING

Performance benchmarks are to be provided for comparative purposes only. The benchmark is not an investment return target. The rate of return on Council investments will be dependent on Council's risk tolerance.

The 90 day ASX BBSW Rate is considered an appropriate benchmark for this purpose.

REPORTING AND REVIEWING OF INVESTMENTS

All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis. The Responsible Accounting Officer must ensure that the investment register contains complete, accurate and current information sufficient to monitor compliance with this Policy, applicable legislation, the Ministerial Investment Order and the Code.

Documentary evidence must be held for each investment and details thereof maintained in the Investment Register, which shall be available for public viewing.

In accordance with the Act and the Local Government (General) Regulation 2021, a monthly report will be provided to Council. The report will detail the investment portfolio, including interest returns, maturity dates and changes in market value. The report must also include a certificate as to whether the investments have been made in accordance with the Act, the Regulation and Council's Investment Policy. Any material deterioration in the investment portfolio must be reported to Council at the next ordinary meeting.

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

This Policy will be reviewed at least every three years and earlier where required by legislative, regulatory or operational change. Any amendment to, or revocation of, this Policy must be approved by Council resolution.

ENVIRONMENTALLY RESPONSIBLE INVESTMENTS

Council may give preference to environmentally responsible investments, including eligible green investments and investments with financial institutions that publicly disclose that they do not finance new fossil-fuel projects.

Any such investment must first comply with all legislative requirements, the Minister's Investment Order and this Policy, including credit, counterparty, diversification, liquidity and maturity limits. Security and liquidity must not be compromised.

Where two or more investments are otherwise comparable, preference may be given to the environmentally responsible option where it provides an equal or higher rate of return. The basis for the selection must be documented in the investment form.

VARIATION

Council reserves the right to vary or revoke this policy.

APPENDIX A

Ministerial Investment Order dated 12 January 2011, issued under s*ection 625 of the Local Government Act 1993*.

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 12th day of January 2011

Hon BARBARA PERRY MP
Minister for Local Government