



**HILLTOPS COUNCIL**

**INVESTMENT POLICY**

# Hilltops Council

## Investment Policy

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## DOCUMENT CONTROL

Policy	Investment Policy	File Number	5.3.2.44
Author	Finance	Review Period and Date	Annually

## DOCUMENT HISTORY

Date	Status	Version	Resolution	Description
24 May 2016	Initial Draft	0.1		Draft For Adoption by Administrator
24 May 2016	Final	1.0	16/22	Adopted

## OBJECTIVE

To provide a framework for the investment of Council funds that seeks to maximise earnings whilst having due consideration of the risk and security for that investment; and to ensure that Council's liquidity requirements are being met.

While exercising the power to invest, consideration is to be given to the preservation of capital, liquidity and the return on 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 ensure 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.

Council's sensitivity to the risk of losing principal and of fluctuating interest returns is high. Council expects reasonable rates of return that are similar to the Reserve Bank's inter-bank rate.

## LEGISLATION AND GUIDANCE

- Local Government Act 1993, section 625
- Local Government (General) Regulation 2005, Clause 16
- Ministerial Investment Order 2011
- Trustee Act 1925, section 14
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards
- NSW Division of Local Government Investment Policy Guidelines 2010
- NSW Division of Local Government Circulars

## 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 Councils Investment to the Responsible Accounting Officer, subject to regular reviews.

The General Manager must approve delegations in writing and record them in the Register of Delegations. Delegated officers are required to acknowledge that they have received a copy of this policy and understand their obligations in this role.

## **PRUDENT PERSON STANDARD**

The delegated officers will ensure that Council investments are managed with the care, diligence and skill that a prudent person would exercise. As trustees of public monies, officers are 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 proper execution and management of Council's investment portfolio. Council's Code of Conduct provides guidance for recognising and disclosing any conflicts of interest.

## **APPROVED INSTRUMENTS**

Hilltops Council approves the following investments included in the Ministerial Investment Order:

- any public funds or securities issued by or guaranteed by, the Commonwealth, any State of the Commonwealth or a Territory;
- any debentures or securities issued by a council (within the meaning of the Local Government Act 1993 (NSW))
- interest bearing deposits with an authorised deposit taking institution (ADI)
- a deposit with the New South Wales Treasury Corporation or investments in an Hour-Glass investment facility of the New South Wales Treasury Corporation.

## **PROHIBITED INVESTMENTS**

In accordance with the Ministerial Investment Order, this Investment Policy prohibits any investment carried out for speculative purposes including:

- 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.
- The use of leveraging (borrowing to invest) of an investment.

## RISK MANAGEMENT GUIDELINES

Investments to be placed 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;
- Diversification Risk – a maximum limit of 40% is set on the amount that may be invested with any particular financial institution or government authority.
- Counterparty Risk – the risk that a 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 of future cash flows of an investment will fluctuate due to changes in market prices;
- Liquidity Risk – the risk that an investor is unable to redeem the investment at a fair price within a timely period.

A minimum of three quotes shall be obtained from comparable authorised institutions when an investment is proposed.

## BENCHMARKING

As Council traditionally invests in short term deposits, the performance benchmark to be used is the interbank rate, which is available on the Reserve Bank of Australia website <http://www.rba.gov.au>.

## INVESTMENT ADVISOR

Should the Council deem it necessary to consult an investment advisor, the investment advisor 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 the investment products being recommended and is free to choose the most appropriate product within the terms and conditions of the investment policy.

To date, no investment advisor has been approved by Council for the purpose of investing Hilltops Council funds.

## REPORTING AND REVIEWING OF INVESTMENTS

Documentary evidence must be held for each investment and details thereof maintained in the Investment register.

Details to be included in the Investment Register:

- The amount of money invested;
- Particulars of the security or form of investment in which the money is invested;
- The term of the investment; and
- The rate of interest to be paid, and the amount of money that Council has earned, in respect of the investment.

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 Councils 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 monthly.

Council will be provided with a written report each month setting out details of the entire investment portfolio. The report will confirm compliance of Councils investments with legislative and policy requirements. The report will be made up to the last day of the month immediately preceding the meeting.

## VARIATION

The Investment Policy will be reviewed at least once a year or as required in the event of legislative change. Council reserves the right to vary the terms and conditions of this policy. Any amendment to the Policy must be by way of Council resolution.