

INVESTMENT OF FUNDS

Previous policy number: 1.2.3

Policy Statement

Funds held by the Town of Mosman Park that are not required immediately may be invested in accordance with the *Local Government Act 1995*. In order to minimise the risks associated with investing funds, this policy specifies the minimum acceptable credit ratings for funds as well as the maximum amount of funds that may be invested in the one financial institution.

Policy Details

Objective

To set the criteria for making authorised investments of surplus funds after assessing credit risk and diversification limits in order to maximise earnings and ensure the security of the Town's funds.

Policy Principles

Delegation of Authority to Invest

Authority is delegated to the Chief Executive Officer to implement this policy. The Chief Executive Officer may in turn delegate the day-to-day management of the Town's investments in accordance with the provisions of the *Local Government Act 1995*.

Prudent Person Standard

Investments will be managed with the care, diligence and skill that a prudent person would exercise. Officers delegated with authority to manage investments are to safeguard the portfolios in accordance with the substance of this policy, and not for speculative or any other purposes.

Ethics and Conflicts of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of the Town's investment portfolio. This policy requires Officers to disclose any conflict of interest to the CEO.

Risk Management

Officers delegated with the authority to invest must diversify the investment portfolio and avoid excessive risk concentration with any single counterparty.

The approach to diversification must be balanced with the need to seek an adequate rate of return for the Town, given that higher rates of return are usually associated with higher credit risk.

Investments obtained are to be guided by:

- Portfolio Credit Framework: limit overall credit exposure of the portfolio

- Counterparty Credit Framework: limit exposure to individual counterparties / institutions
- Term to Maturity Framework: limits based upon maturity of securities
- The portfolio and counterparty credit guidelines applied to the Town’s investments will be based on the Standard and Poor’s (S&P) ratings system criteria.

Policy Guidance

Any funds surplus to Town’s immediate requirements are to be invested in authorised institutions in accordance with the following:

- Local Government Act 1995 Section 6.14
- *Trustees Act 1962* Part III Investments
- Local Government (Financial Management) Regulations 1996 Section 19 to 19C.

This investment policy prohibits any investment carried out for speculative purposes or for the purposes of leveraging.

Liquidity of Funds

The investment of the Town’s funds should ensure there is sufficient liquidity to meet the operational daily/weekly/monthly cash flow requirement as and when they fall due, without incurring additional cost to the Town.

Quotations

Not less than three quotations shall be obtained from authorised institutions when an investment is proposed, including at least one financial institution that does not invest in or finance the fossil fuel industry. The best quotation will be accepted after allowing for banking, administrative and transactional costs as well as limitations set for each borrower.

Counterparty and Portfolio Limits

To control the credit quality over the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular rating category, as detailed in Column C of the table below.

Exposure to an individual counterparty/institution will be restricted by any particular rating category so that single entity exposure is limited at the time of investment, as detailed in Column D of the table below.

A. S&P Long Term Rating	B. S&P Short Term Rating	C. Investment portfolio Maximum %	D. Investments with individual counterparty Maximum %
AAA	A1+	100%	50%
AA	A1	100%	45%
A	A2	60%	20%

In the absence of any evidence to the contrary unrated wholly owned subsidiaries of a rated financial institution will be taken to have the same credit rating as their parent entity.

Term to Maturity

Investments in term deposits shall not be fixed for longer than the period as defined in Section 19C of the *Local Government (Financial Management) Regulations 1996*.

Reporting and Review

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

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

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.

Definitions

Authorised Institution: Means the same as that defined in Regulation 19C (1) of the Local Government (Financial Management) Regulations 1996 as amended.

Counterparty: The other party that participates in a financial transaction.

Credit Rating: An estimate of overall ability and willingness of an entity or person to fulfil financial obligations in full and on time, based on previous financial dealings. Ratings are opinions issued by credit rating agencies.

Fossil fuel industry: Companies who invest in coal, oil and natural gas projects.

Short-term: In relation to investments means it matures in 12 months or less.

Long-term: In relation to investments means it matures in excess of 12 months.

Governance References

Statutory Compliance	<i>Local Government Act 1995</i> Local Government (Financial Management) Regulations 1996.
Organisational Compliance	Instrument of Sub-delegation by Chief Executive Officer

Policy Administration

Directorate:		Officer title:
Corporate Services		Executive Manager Corporate Services
Next Review		Review Cycle
February 2022		
Version	Date	Ref
1	23 March 2010	OCM-072-2010
2	11 November 2011	OCM-361-2011
3	25 March 2014	OCM-043-2014
4	27 February 2018	OCM-019-2018