

# **ATTACHMENTS TO VARIOUS REPORTS FINANCE & ADMINISTRATION COMMITTEE**

**MONDAY 14 SEPTEMBER 2015**

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**ATTACHMENT TO FAC 6A – 09/2015**  
**Investment Policy and Procedure Review**

**ATTACHMENT 1**

*Proposed Draft Revised Investment Policy*

<b>POLICY NAME</b>	<i>Proposed Draft Revised Investment Policy</i>
<b>DIRECTORATE</b>	Executive – Financial Services

## **PURPOSE**

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

## **SCOPE**

This policy applies to the investment of Council funds by Council officers.

## **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 Council's investments to the Responsible Accounting Officer or senior staff, subject to regular reviews.

Council officers with investment responsibilities will have regard to the requirements of a trustee under the Trustee Act and are to be provided with appropriate training.

## **CONTENT**

AlburyCity recognises its obligations to invest surplus funds in authorised investments, taking into account legislative requirements, risk, diversification, funds availability, overdraft exposure and Council's Annual Operational Plan and Four Year Delivery Program.

As trustees of public monies Council officers are to manage Council's investments to safeguard the portfolio in accordance with the spirit of this Investment Policy, the Ministerial Investment Order and not for speculative purposes.

## **Investment Objectives**

1. Undertake authorised investment of Council funds
2. Preserve capital invested by taking into account investment risks
3. Manage Council's investments to meet cash flow obligations
4. The rate of return on funds invested is to be optimised compared to appropriate benchmarks
5. Preference investments to financial institutions that do not support the fossil fuel industry
6. Maintain an appropriate relationship with Council's investment institutions and advisors
7. Regularly report investment performance and compliance to Council

## **1. Undertake authorised investment of Council funds**

All investments are to be made in accordance with:

- *Local Government Act 1993* – Section 625
- *Local Government Act 1993* – Investment Order (of the Minister) as in force from time to time;
- *The Trustee Amendment (Discretionary Investments) Act 1997* – Sections 14A(2), 14C(1) & (2);
- *Local Government (General) Regulation 2005* – Clause 212
- Division of Local Government Investment Policy Guidelines May 2010
- Local Government Code of Accounting Practice & Financial Reporting
- Australian Accounting Standards
- Office of Local Government Circulars
- *Trustees Act 1925*

### Ministerial Investment Order

Currently under the Ministerial Order (12 January 2011), Councils are only able to invest in:

- (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 a 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 investments must be denominated in Australian Dollars.

In accordance with the Ministerial Order, when investing funds Council will 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 of making the proposed investment including commissions, fees and duties payable.

## **2. Preserve capital invested by taking into account investment risks**

Preservation of capital is the principal objective of the structure 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. All investments with financial institutions entail some risk. Generally, the higher the

anticipated rate of return of an investment the higher the risk. Council's investments will be diversified across a number of authorised deposit taking institutions having regard to their credit risk.

### **3. Manage Council's investments to meet cash flow obligations**

The investment portfolio will be managed to ensure Council's liquidity is sufficient to meet all reasonably anticipated cash flow requirements, as and when they fall due, without overdraft requirement or incurring significant costs due to unanticipated sale of an investment. Determining liquidity requirements provides direction on the term of investments to be placed.

### **4. The rate of return on funds invested is to be optimised compared to appropriate benchmarks**

Council's primary objective in investing funds is to prevent any loss to the amount invested, while optimising the rate of return taking into account the risk and timeframes of the investments. When undertaking investment decisions likely changes to market prices over the term of the investment are to be taken into account by taking into account appropriate benchmarks, such as the Bank Bill Swap Rate (BBSW) or Bank Bill Index depending upon the term of the investment.

### **5. Preference investments to financial institutions that do not support the fossil fuel industry**

Preference is to be given to investments with financial institutions that do not support the fossil fuel industry, when:

- the rate of interest is no less than other investments available at the time; and
- the credit rating of the investment is no less than those investments offering an equivalent rate of return.

### **6. Maintain an appropriate relationship with Council's investment institutions and advisors**

All Council staff are required to carry out their duties in accordance with Council's Code of Conduct. Any conflict of interest must be managed to uphold the probity of council decision-making.

When new products are being considered, Council will seek expert financial advice from an investment advisor, who is licensed by the Australian Securities and Investments Commission. Selection of an appropriate investment advisor is to be determined by the General Manager. The advisor will be asked to confirm in writing that they do not have any conflict of interest in relation to the products being reviewed, including that they are not receiving any commissions or other benefits in relation to the investments being reviewed.

### **7. Regularly report investment performance and compliance to Council**

A written report will be presented to a meeting of Council on a monthly basis certifying that all investments have been made in accordance with the *Local Government Act 1993, Local Government (General) Regulations 2005 and Council's Investment Policy and Procedure*. If a breach of the investment policy or procedure occurs, Council will be notified at its next ordinary Council meeting by Council's Responsible Accounting Officer.

From time to time Council's Audit Committee may review Council's investments practices to confirm they comply with this policy. Council's external Auditor also reviews Council's investments as part of the audit of Council's Annual Financial Reports.

Council will review the policy annually and make amendments as required and approve such amendments by resolution of the Council, after taking into account recommendations of the Finance and Administration Committee and also the Audit Committee.

## AUTHORISATION

<b>Status</b>	<b>Committee</b>	Revised Policy (No FFin1) presented to the Strategy & Finance Committee Meeting – 19 February 2007. Finance & Administration Committee Meeting – 19 July 2010 Finance & Administration Committee Meeting – 11 April 2011 Finance & Administration Committee Meeting – 19 August 2013 Finance & Administration Committee Meeting – 14 September 2015
	<b>Manex</b>	June 2015
	<b>Council</b>	Council Meeting 23 March 2004 Council Meeting 26 February 2007 Council Meeting 23 February 2009 Council Meeting 26 July 2010 Council Meeting 26 August 2013 Council Meeting 28 September 2015
<b>Owner</b>	Executive Services – Financial Services	
<b>Compliance</b>	Mandatory, as detailed in Section 3	
<b>History</b>	This Policy was first adopted by Council 23 March 2004 A further review was undertaken in February 2007 A review of this policy undertaken in January 2009 A review of this policy undertaken in April 2011 A review of this policy undertaken in July 2013 A review of this policy undertaken in September 2015	
<b>Other</b>	This Policy has an <a href="#">Investment Procedure</a> attached Included in the AlburyCity Public Policy and Procedure Register	
<b>Last issued:</b> September 2015		<b>Review:</b> September 2016
<b>TRIM REFENCE</b> DOC15/53237		

**ATTACHMENT TO FAC 6A – 09/2015**

**Investment Policy and Procedure Review**

**ATTACHMENT 2**

*Proposed Draft Revised Investment Procedure*

<b>PROCEDURE NAME</b>	<i>Proposed Draft Revised Investment Procedure</i>
<b>DIRECTORATE</b>	Executive – Financial Services

## **PURPOSE**

This procedure sets out the mechanisms to be followed by Council officers to give effect to and ensure compliance with Council's Investment Policy.

## **SCOPE**

This procedure applies to the investment of surplus Council funds by Council officers.

## **CONTENT**

Section 625 of the *Local Government Act 1993* requires Council to maintain a separate record of money it has invested and the record must specify:

- a. the source and the amount of money invested;
- b. particulars of the security or form of investment in which the money is invested; and
- c. If appropriate, the rate of interest to be paid, and the amount of money that the Council has earned, in respect of the money invested.

Investments will be managed with the care, diligence and skill that a prudent person would exercise in investing Council funds. A prudent person is expected to act with considerable duty of care, not as an average person would act, but as a wise, cautious and judicious person would. (Ref: Trustee Amendment (Discretionary Investments) Act 1997 Section 14 A (2)).

In accordance with the Local Government Investment Guidelines, funds are to be placed with a diverse range of financial institutions addressing the issues of available surplus funds, risk and diversification of product. To gain optimum returns whilst maintaining appropriate risk measures, investments should be spread over varying periods in a variety of products while maintaining sufficient liquidity to meet Council's obligations when they fall due.

AlburyCity investments are managed by Fund (General, Water and Sewer) as required by the *Local Government Act 1993*.

A written report will be presented to a meeting of Council on a monthly basis advising of the value, performance, maturity and exposure of Council's investment balances and certifying that investments have been made in accordance with the Local Government Act, Regulations and Council's Investment Policy and Procedure. Investment performances will be benchmarked against the Bank Bill Swap reference rate (BBSW) or Bank Bill Index as appropriate.

If a breach of the investment policy or procedure occurs, Council will be notified at its next ordinary Council meeting by Council's Responsible Accounting Officer.

## DEFINITIONS

Institution: Authorised Deposit Taking Institution (ADI) is a corporations which is authorised under the *Banking Act 1959*. For the purpose of this procedure an individual institution includes subsidiaries (and/or rebadged trading arms) e.g. St George as a fully owned component of Westpac will be considered as components of one single entity.

Standard & Poor's Long-Term Issuer Credit Ratings:

AAA	Extremely strong capacity to meet its financial commitments. The highest issuer credit rating assigned by Standard & Poor's.
AA	Very strong capacity to meet its financial commitments. Differs from the highest-rating only to a small degree.
A	Strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated categories.
BBB	Adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitments.

## DOCUMENTATION

### Liquidity Risk

The investment portfolio is to be managed within the following maturity constraints:

Overall Portfolio Term to Maturity Limits		
Investment Portfolio	Minimum	Maximum
<1 year	40%	100%
>1 year ≤3 year	0%	60%
>3 year ≤5 year	0%	20%

When placing investments that extend beyond one year, Council's working capital requirements are to be assessed by taking into account Council's Operational Plan, Four Year Delivery Program and Long Term Financial Plan.

## Credit Risk

<b>Institution</b>	<b>Standard &amp; Poors Long Term Credit Rating June 2015</b>	<b>Maximum Limit</b>
<b>Top Tier Institutions (AAA, AA-)</b> Examples: Commonwealth Bank, NAB, Westpac, ANZ, Bank of Melbourne, St George Bank	AA- AA-	100% in total all institutions 50% per institution
<b>Second Tier Institutions (AA, A+)</b> Example: AMP, Suncorp	A+	80% in total all institutions 30% per institution
<b>Next Tier Institutions (A, A-)</b> Examples: Macquarie Bank, Rabobank Bendigo and Adelaide Bank, ING Bank	A A-	25% in total all institutions 15% per institution
<b>Other Institutions (BBB or unrated but Authorised Deposit Taking Institution)</b> Examples: ME Bank, Credit Union Australia Hume Bank, WAW Credit Union	BBB+ Authorised	20% in total all institutions 5% per institution

The above credit rating framework applies to authorised deposit taking institutions. The above list of institutions is not an exhaustive list of authorised deposit taking institutions. Investments may be placed with other authorised deposit taking institutions from time to time providing Council's investment limits are adhered to.

All financial instruments must be held in the name of the Council.

A minimum of three quotations are to be obtained, and where required independent advice, before an investment decision is made. Records of quotations that the Council has obtained before making an investment are to be maintained.

Council officers will consider the following points when considering an investment.

1. Have you found out how the funds will be invested, how will they generate returns and how will these be paid to the Council? (Could you describe to others how this product works?)
2. Are you clear on the conditions associated with this type of investment and their level of risk?
3. Does the investment meet the Council's financial objective and complies with its investment policy?
4. Are your product issuers licensed by the Australian Security and Investment Commission?
5. Do you know if/how the investment may be affected by a major shift in the economy and market sentiment?

6. Could the investment be liquidated in a timely manner without loss or penalty? i.e. can the council quickly get its money back out of this product if it needs to? Are there any fees to get out early?

**Note** If the officer answers No to any of the above questions, further research will be required and consultation of an independent financial adviser. If necessary, the proposed investment will be reviewed.

## AUTHORISATION

<b>Status</b>	<b>Committee</b>	Revised Policy/Procedure (FIL10/00539) presented to the Revised Policy/Procedure (No FFin1) presented to the Strategy & Finance Committee Meeting – 19 February 2007. Finance & Administration Committee Meeting – 19 July 2010. Finance & Administration Committee Meeting – 11 April 2011. Finance & Administration Committee Meeting – 19 August 2013. Finance & Administration Committee Meeting – 14 September 2015.
	<b>Manex</b>	June 2015
	<b>Council</b>	Council Meeting 26 February 2007 Council Meeting 23 February 2009 Council Meeting 26 July 2010 Council Meeting 26 August 2013 Council Meeting 28 September 2015
<b>Owner</b>	Executive Services – Financial Services	
<b>Compliance</b>	Mandatory, as detailed in Section 3	
<b>History</b>	Council's Investment Policy was first adopted by Council 23 March 2004 A review of the policy was undertaken in February 2007 A review of the policy was undertaken in January 2009 A review of the policy was undertaken in June 2010 A review of the policy and procedure was undertaken in April 2011 A review of the policy and procedure was undertaken in July 2013 A review of the policy and procedure was undertaken in September 2015	
<b>Other</b>	This Procedure is an attachment to the revised <a href="#">Investment Policy</a> . This Procedure is included in the Public Policy and Procedure Register.	
<b>Last issued:</b> September 2015		<b>Review:</b> September 2016
<b>TRIM REFERENCE</b> DOC15/53239		

# **ATTACHMENT TO FAC 6A – 09/2015**

## **Investment Policy and Procedure Review**

### **ATTACHMENT 3**

Investment Policy – August 2013

<b>POLICY NAME</b>	Investment Policy
<b>DIRECTORATE</b>	Corporate Services - Finance

## **PURPOSE**

AlburyCity recognises its obligations to invest surplus funds in authorised investments, taking into account legislative requirements, risk, diversification, funds availability, overdraft exposure and Council's Annual Operational Plan and Four Year Delivery Program.

Preservation of capital is the principal objective of the structure of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security and safeguarding the investment portfolio. Officers are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Investment Policy and the Ministerial Investment Order, and not for speculative purposes.

The investment portfolio will ensure liquidity is sufficient to meet all reasonably anticipated cash flow requirements, as and when they fall due, without overdraft requirement or incurring significant costs due to unanticipated sale of an investment.

All investments entail some risk. Generally, the higher the anticipated rate of return of an investment, the higher the risk and variability of the investment returns. Investing Council surplus funds should produce a diversified portfolio that reflects reasonable market rates of return.

## **SCOPE**

### **Investment Strategies Objectives**

1. Undertake authorised investments of surplus funds.
2. Establish a profile considering market, credit, liquidity and maturity risk with the aim of capital preservation.
3. Optimise Council's interest earning potential to budget against Bank Bill Rates benchmark while maintaining compliance with the strategies included Council's Annual Operational Plan, Four Year Delivery Program and Long Term Financial Plan including recognition of needs for optimising capital works funding.
4. Manage Council's cash flow to meet obligations as and when due.
5. Maintain a satisfactory relationship with Council's investment institutions.
6. Report to Council in accordance with the Local Government (General) Regulation 2005.

## **CONTENT**

### **Authority for Investment**

All investments are to be made in accordance with:

- Local Government Act 1993 – Section 625;
- Local Government Act 1993 – Investment Order(of the Minister) as in force from time to time;
- The Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14A(2),14C(1) & (2);
- Local Government (General) Regulation 2005 – Clause 212

- DLG Investment Policy Guidelines May 2010.
- Local Government Code of Accounting Practice & Financial Reporting (the code)
- Australian Accounting Standards
- DLG Circulars
- Trustees Act 1925

#### DLG Circular 13/18 19 April 2013. CARBON PRICING MECHANISM

The Local government Order (section 625 of the Local Government Act) prevents councils from investing in carbon mechanisms for the primary purposes of engaging in trade and making a profit. – Councils are however able to purchase or earn Carbon Units or Australian Carbon Credit Units for the purpose of offsetting carbon emissions liability as these are not investments captured by the Ministerial Order.

#### **Additional Information**

When new products are being considered, Council will seek expert financial advice from an investment advisor, who is licensed by the Australian Securities and Investments Commission. The advisor will be asked to confirm in writing that they do not have any conflict of interest in relation to the products being reviewed.

From time to time the Internal Audit Committee may review Council's investments to ascertain if they comply with this policy.

Council's external Auditors are required to review Council's investments as part of the audit of the Annual Financial Reports.

As Council continues to hold grandfathered investments in collateralised debt Obligations (CDOs), the investment returns for the portfolio is to be regularly reviewed by an independent financial advisor by assessing the market value of the portfolio.

Council will review the policy every two (2) years and make amendments as required and approve such amendments by resolution of the Council.

#### **Delegation of Authority**

The General Manager has authority to invest surplus funds and may delegate this function to Council's Finance Supervisor who will make decisions following conferral with Finance Group Leader, Council's responsible Accounting Officer.

Council officers with investment responsibilities have regards to the requirements of a trustee under the Trustee Act and are provided with appropriate training.

## Authorised Investments

Currently under the Ministerial Order (12/1/11), Councils are only able to invest in:

- (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 a 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 investments must be denominated in Australian Dollars.

## AUTHORISATION

<b>Status</b>	<b>Committee</b>	Finance & Administration Committee Meeting – 11 April 2011. Finance & Administration Committee Meeting – 19 July 2010 Revised Policy (No FFin1) presented to the Strategy & Finance Committee Meeting – 19 February 2007. Finance & Administration Committee Meeting – 19 August 2013
	<b>Manex</b>	July 2010
	<b>Council</b>	Council Meeting 26 February 2007 Council Meeting 23 February 2009 Council Meeting 26 July 2010.
<b>Owner</b>	Corporate Services – Financial Services	
<b>Compliance</b>	Mandatory, as detailed in Section 3	
<b>History</b>	This Policy supersedes the current Investment Policy adopted by Council 23 March 2004. A further review was undertaken in 19 February 2007. A review of this policy undertaken in January 2009. A review of this policy undertaken in April 2011. A review of this policy undertaken in July 2013.	
<b>Other</b>	This Policy has an <a href="#">Investment Procedure</a> attached. Included in the AlburyCity Public Policy and Procedure Register.	
<b>Last issued:</b> August 2013		<b>Review:</b> August 2015
<b>TRIM REFENCE</b> DOC13/31834		

# **ATTACHMENT TO FAC 6A – 09/2015**

## **Investment Policy and Procedure Review**

### **ATTACHMENT 4**

Investment Procedure – August 2013

<b>PROCEDURE NAME</b>	Investment Procedure
<b>DIRECTORATE</b>	Corporate Services - Finance

## PURPOSE

Section 625 of the Act requires Council to maintain a separate record of money it has invested and the record must specify:

- a. the source and the amount of money invested;
- b. particulars of the security or form of investment in which the money is invested; and
- c. If appropriate, the rate of interest to be paid, and the amount of money that the Council has earned, in respect of the money invested.

The Local Government Code of Accounting Practice and Financial Reporting (the Code) requires Council to maintain a separate record of all quotations that the Council has obtained before making such an investment.

A Council employee acting on Council's behalf should exercise the care, diligence and skill that a prudent person would exercise in investing Council funds. A prudent person is expected to act with considerable duty of care, not as an average person would act, but as a wise, cautious and judicious person would. (Ref: Trustee Amendment (Discretionary Investments) Act 1997 Section 14 A (2).

In the event that a credit rating of a security or the credit rating of a company or body issuing the security falls below the required minimum, as set out in the Minister's Order, a Council must make all the necessary arrangements to withdraw the deposit as soon as practicable

## SCOPE

In accordance with the Department of Local Government Investment Guidelines, funds are placed with a diverse range of financial institutions addressing the issues of available surplus funds, risk and diversification of product. Council's preferred banking services provider, the Commonwealth Bank of Australia, is utilised for efficiency regarding short term deposits held, transfers and maintaining cash flow requirements. Through this long term relationship the Commonwealth Bank often holds a greater proportion of Council's investment portfolio. The remainder of the portfolio is placed with other financial institutions to ensure constant monitoring of available markets and trends. To gain optimum returns whilst maintaining appropriate risk measures, the longer end investments should be spread over varying periods in a variety of products while maintaining recognition of capital works program funding obligations.

Investment performances will be benchmarked against the Bank Bill Swap reference rate (BBSW).

The Finance Section will nominate an officer to manage and report on the Investment Portfolio. Council shall receive a written report on a monthly basis advising details of investments held certifying that investments have been made in accordance with the Local Government Act, Regulations and Council's Investment Policy and Procedure.

The General Manager, or a delegated representative, is authorised to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation. All changes to this policy by the above, and or the Minister's Order, are to be reported to Council as soon as practicable.

If a breach of the policy occurs, Council will be notified at its next ordinary Council meeting by Council's Responsible Accounting Officer.

## DEFINITIONS

Institution: are defined as referenced in the Ministerial Order (12/1/11) and for the purpose of this procedure investment Institutions are defined as including subsidiaries (and/or rebadged trading arms) e.g. St George as a fully owned component of Westpac will be considered as components of one single entity.

## DOCUMENTATION

### Investment Strategy

#### Accounting for Investments

- Council will upon purchase, designate term deposits as 'Held to Maturity' financial assets.

#### Maturity Framework:

The investment portfolio is to be managed within the following maturity constraints:

Overall Portfolio Term to Maturity Limits		
Portfolio % <1 year	Min 40%	Max 100%
Portfolio % >1 year ≤3 year	Min 0%	Max 60%
Portfolio % >3 year ≤5 year	Min 0%	Max 20%

Council annually undertakes a major capital works program, it is also committed to a long term expenditure program consequent to a Special Variation to Rate income. Capital works are funded via operating and capital cash flows and borrowings. Council applies borrowings to ensure that capital costs are shared with future generations who benefit from long term community assets. The Investment strategy recognises that funds are to be available from current investments to provide an alternative to incurring borrowing costs when appropriate to Councils activities and overall financial position. Recognition of a need for asset funding requires that Council does not restrict access to cash by placing funds to excess in long term investments.

<b>Institution</b>	<b>Short Term Rating as at procedure date (Standard &amp; Poors)</b>	<b>Maximum Limit (% or \$)</b>
<b>Top Tier Institutions</b> Commonwealth Others (NAB, Wpac, ANZ)	AA- AA-	60% in total with CBA ( <i>see Note 2</i> ) and 40% in total to any one institution other than CBA
<b>Second Tier Institutions</b> Examples: Suncorp Metway	AA- A+	15% in total all institutions \$3m per institution
<b>Credit Unions/Building Soc.</b> Examples: Hume Building Society IMB Limited WAW Credit Union	Authorised Status A2/BBB Authorised Status	25% in total all institutions \$3m per institution
<b>Other investments as authorised under current ministerial order</b> Examples: Macquarie Bank AMP folios	A	25% in total all institutions \$3m per investment

**Note:** (1) *The above list of investment institutions is not exhaustive. Others may be added from time to time but will need to meet the prescribed rating requirements.*

(2) *The balance of funds with Council's transactional banker is influenced by short term cash demand and will vary significantly but always in compliance with the Investment Policy and Procedures.*

All financial instruments must be held in the name of the Council.

Council officers will use the following General Products Check List when considering an investment (General questions to consider when investing in simple products that are straight forward such as bank deposit, bills of exchange, bonds etc.)

1. Have you found out how the funds will be invested, how will they generate returns and how will these be paid to the Council? (Could you describe to others how this product works?)

Yes            No
  
2. Are you clear on the conditions associated with this type of investment and their level of risk?

Yes            No
  
3. Does the investment meet the Council's financial objective and complies with its investment policy?

Yes            No

4. Are your product issuers licensed by the Australian Security and Investment Commission?

Yes            No

**Note** If the officer answers No to any of the above questions, further research will be required and consultation of an independent financial adviser. If necessary, the proposed investment will be reviewed.

## AUTHORISATION

<b>Status</b>	<b>Committee</b>	Finance & Administration Committee – 11 April 2011 Revised Policy/Procedure (FIL10/00539) presented to the Revised Policy/Procedure (No FFin1) presented to the Strategy & Finance Committee Meeting – 19 February 2007. Finance & Administration Committee Meeting – 19 July 2010. Finance & Administration Committee Meeting – 19 August 2013.
	<b>Manex</b>	July 2010
	<b>Council</b>	Council Meeting 26 February 2007 Council Meeting 23 February 2009 Council Meeting 26 July 2010
<b>Owner</b>	Corporate Services – Financial Services	
<b>Compliance</b>	Mandatory, as detailed in Section 3	
<b>History</b>	This Policy supersedes the current Investment Policy adopted by Council 23 March 2004. A further review was undertaken in 19 February 2007. A review of this policy undertaken in January 2009. A review of this policy undertaken in June 2010 A review of this policy and procedure undertaken in April 2011. A review of this policy and procedure undertaken in July 2013.	
<b>Other</b>	This Procedure is an attachment to the revised <a href="#">Investment Policy</a> . This Procedure is included in the Public Policy and Procedure Register.	
<b>Last issued:</b> August 2013		<b>Review:</b> August 2015
<b>TRIM REFERENCE</b> DOC13/31838		

# **ATTACHMENT TO FAC 6A – 09/2015**

## **Investment Policy and Procedure Review**

### **ATTACHMENT 5**

Investment Balances Report – May 2015

# FINANCE & ADMINISTRATION COMMITTEE MEETING REPORT

(Use for MANEX, Council Meeting, Planning & Development, Engineering & Works, Community & Cultural & Finance & Administration Committee Reports)

## INVESTMENT BALANCES - MAY 2015 (DOC15/52176)

DATE 10 June 2015

CONFIDENTIAL YES  NO  If yes please tick one of the following reasons  
 Personnel Matters  Commercial  Legal  Security  Personal Hardship

ITEM FOR DECISION   
 Meeting Date

ITEM FOR NOTING   
 Meeting Date Monday 15 June 2015

FURTHER ENQUIRIES TO Justin Finlayson PHONE 02 6023 8153  
 Executive Services

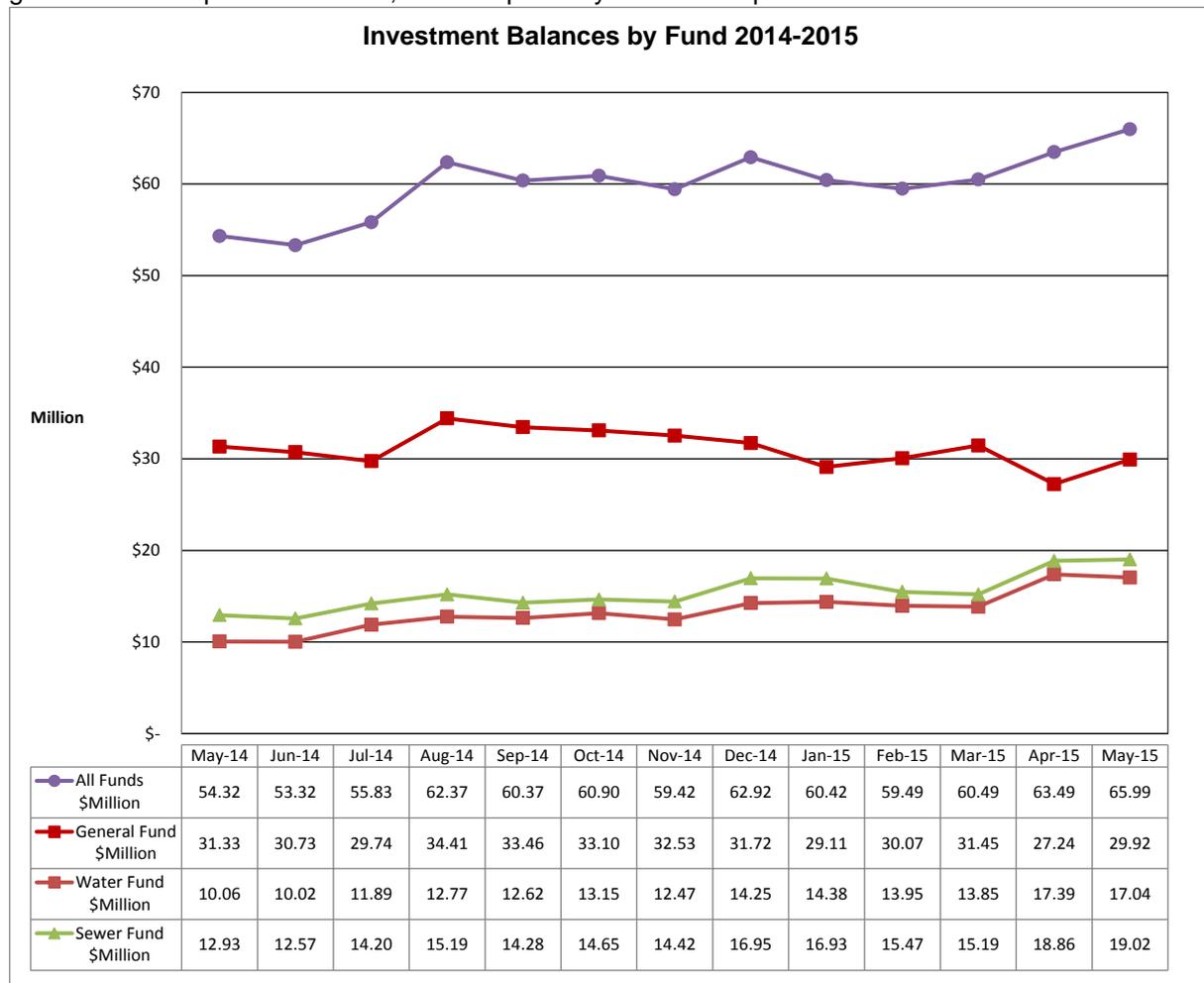
### Purpose of Report

The report presents to Council all money invested as at 31 May 2015 as required by the *Local Government (General) Regulation 2005*.

### Background

AlburyCity investments are managed by Fund (General, Water and Sewer) as required by the *Local Government Act 1993*.

The value of Council's investment portfolio at 31 May 2015 was \$66 million, which was \$2.5 million greater than the prior month end, which is primarily due to receipts from rates.



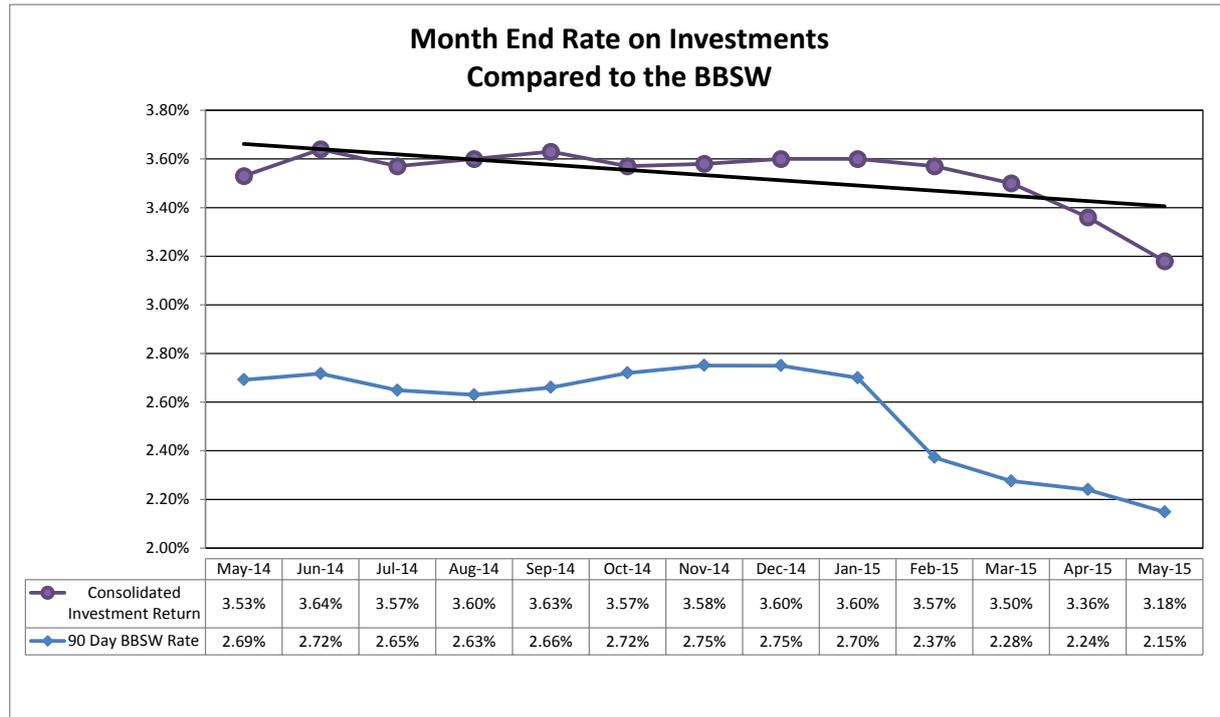
# FINANCE & ADMINISTRATION COMMITTEE MEETING REPORT

(Use for MANEX, Council Meeting, Planning & Development, Engineering & Works, Community & Cultural & Finance & Administration Committee Reports)

The average yield of investments held at 31 May of 3.18% is 0.18% less than the prior month end.

On 5 May 2015, the Reserve Bank of Australia cut official interest rates by 25 basis points to a record low of 2%. Previously on 4 February 2015 the Reserve Bank of Australia cut official interest rates by 25 basis points to 2.25%. As indicated by the BBSW trend in the chart below, to a large degree the market has already factored the May adjustment to the target cash rate by the Reserve Bank of Australia into interest rates on offer.

Council's average yield will continue to decrease in the coming months as existing term deposits mature.



# FINANCE & ADMINISTRATION COMMITTEE MEETING REPORT

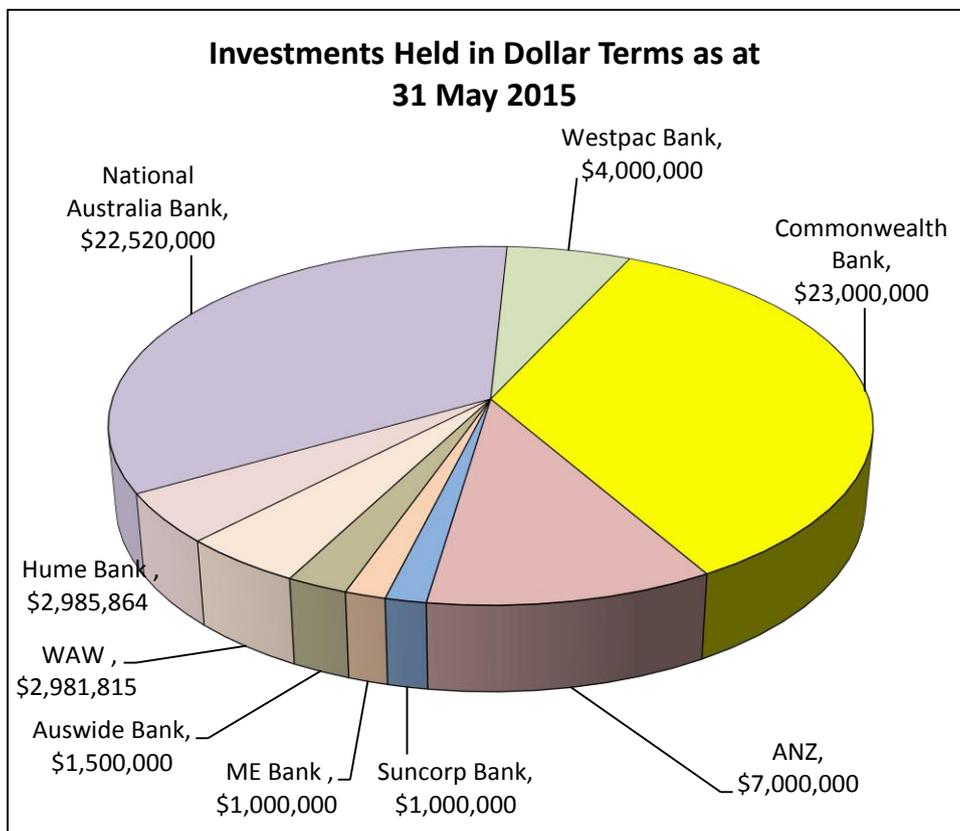
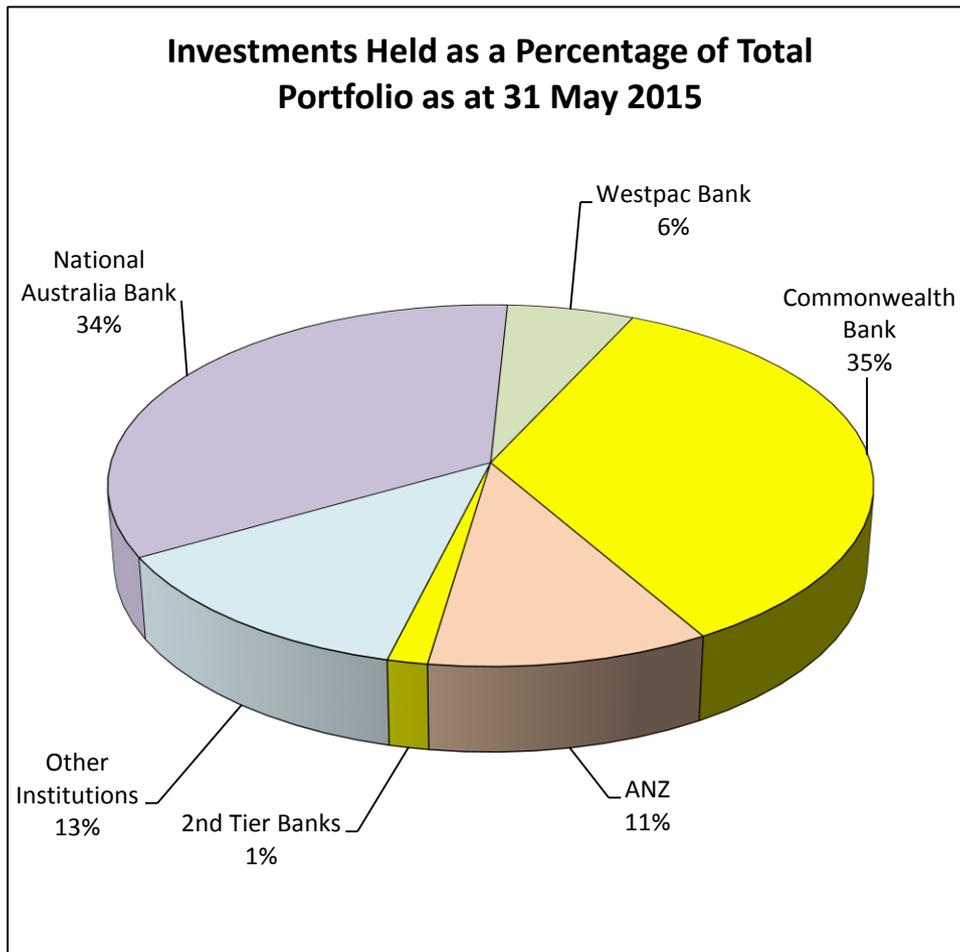
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The profile of Council's investments held at 31 May 2015 is detailed below.

FACE VALUE	Issuer/Security	S&P RATING	INVESTMENT DATE	YIELD %	PERIOD DAYS	MATURITY DATE
<b>First Tier banks</b>						
\$ 6,500,000	CBA	AA-		2.20%	At Call	N/A
\$ 2,000,000	CBA	AA-	6/02/2015	3.10%	146	2/07/2015
\$ 2,000,000	CBA	AA-	6/02/2015	3.20%	181	6/08/2015
\$ 4,500,000	CBA	AA-	11/03/2015	3.12%	211	8/10/2015
\$ 3,000,000	CBA	AA-	19/03/2015	3.05%	210	15/10/2015
\$ 2,000,000	CBA	AA-	22/04/2015	2.88%	365	21/04/2016
\$ 3,000,000	CBA	AA-	30/04/2015	2.89%	364	28/04/2016
\$ 2,020,000	NAB	AA-	23/12/2014	3.58%	182	23/06/2015
\$ 2,000,000	NAB	AA-	30/07/2014	3.75%	365	30/07/2015
\$ 3,000,000	NAB	AA-	28/08/2014	3.60%	364	27/08/2015
\$ 2,000,000	NAB	AA-	5/12/2014	3.60%	274	5/09/2015
\$ 2,000,000	NAB	AA-	19/12/2014	3.61%	270	15/09/2015
\$ 2,000,000	NAB	AA-	19/12/2014	3.63%	274	19/09/2015
\$ 2,000,000	NAB	AA-	2/03/2015	3.20%	273	30/11/2015
\$ 2,000,000	NAB	AA-	17/12/2014	3.63%	365	17/12/2015
\$ 2,000,000	NAB	AA-	28/05/2015	3.00%	236	19/01/2016
\$ 1,500,000	NAB	AA-	22/05/2015	3.00%	284	1/03/2016
\$ 2,000,000	NAB	AA-	28/05/2015	3.00%	292	15/03/2016
\$ 1,000,000	ANZ	AA-	5/12/2014	3.59%	182	5/06/2015
\$ 2,000,000	ANZ	AA-	5/12/2014	3.63%	365	5/12/2015
\$ 4,000,000	ANZ	AA-	6/05/2015	2.90%	364	4/05/2016
\$ 4,000,000	Westpac Bank	AA-	21/05/2015	3.15%	90 Day Notice	
<b>Second Tier banks</b>						
\$ 1,000,000	Suncorp Bank	A+	20/01/2015	3.62%	181	20/07/2015
<b>Other Institutions</b>						
\$ 1,000,000	ME Bank	BBB+	18/02/2015	3.15%	273	18/11/2015
\$ 1,500,000	Auswide Bank	BBB	7/01/2015	3.55%	365	7/01/2016
\$ 1,174,986	WAW	N/A	10/11/2014	3.65%	180	9/05/2015
\$ 1,806,829	WAW	N/A	11/02/2015	3.45%	181	11/08/2015
\$ 1,193,659	Hume Bank	N/A	5/02/2015	3.70%	365	5/02/2016
\$ 1,182,465	Hume Bank	N/A	18/02/2015	3.25%	365	18/02/2016
\$ 609,740	Hume Bank	N/A	29/07/2014	3.75%	365	29/07/2015
<b>\$ 65,987,679</b>						

# FINANCE & ADMINISTRATION COMMITTEE MEETING REPORT

(Use for MANEX, Council Meeting, Planning & Development, Engineering & Works, Community & Cultural & Finance & Administration Committee Reports)



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The table below compares the year to date interest earned compared to budget and the prior year.

<b>Interest on Investments</b>					
<b>Year: 2015</b>			<b>Period: May</b>		
	<b>Actual YTD Previous Year</b>	<b>Forecast Budget YTD 2014-15</b>	<b>Actual YTD 2014-15</b>	<b>Variance ( ) Indicates UNFavorable</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
General Fund	(1,094,051)	(1,056,815)	(953,608)	(103,207)	(9.8%)
Water Fund	(222,887)	(431,475)	(467,778)	36,303	8.4%
Sewer Fund	(355,038)	(500,046)	(538,221)	38,175	7.6%
<b>Grand Total</b>	<b>(1,671,976)</b>	<b>(1,988,336)</b>	<b>(1,959,607)</b>	<b>(28,729)</b>	<b>(1.4%)</b>

Year to date actual interest on investments was 1.4% less than budgeted based on the March Quarter Budget Review. The General Fund shows a reduction of 9.8% to budget due to decreased term deposit interest rates offered by the market. Higher cash holdings in Water and Sewer Funds have led to better than anticipated interest income by around 8%.

## Issues

Investments made during the month of May were made in accordance with the *Local Government Act 1993*, the *Local Government (General) Regulation 2005* and Council's Investment Policy.

## Recommendation

The Committee recommends to Council that Council receive, note and accept the Investment Balances Report for the month of May 2015.

# **ATTACHMENT TO FAC 6A – 09/2015**

## **Investment Policy and Procedure Review**

### **ATTACHMENT 6**

Investment Portfolio Benchmarking of Evocity Councils

	<b>Albury</b>		<b>Wagga</b>		<b>Tamworth</b>		<b>Orange</b>		<b>Dubbo</b>		<b>Bathurst</b>		<b>Armidale</b>	
Term Deposit	\$ 59,487,679	90%	\$ 44,090,472	53%	\$ 120,500,000	88%	\$ 118,098,199	100%	\$ 88,453,000	84%	\$ 52,800,000	73%	\$ 34,376,881	89%
Floating Term Deposit		0%	\$ 8,000,000	10%	\$ 11,000,000	8%		0%		0%		0%		0%
Floating Rate Notes		0%	\$ 17,911,534	22%		0%		0%	\$ 2,994,776	3%	\$ 20,000,000	27%		0%
T Corp Hour Glass			\$ 1,182,808	1%										
On Call	\$ 6,500,000	10%	\$ 11,857,804	14%	\$ 5,669,312	4%		0%	\$ 14,014,311	13%		0%	\$ 4,426,844	11%
	<u>\$ 65,987,679</u>	<u>100%</u>	<u>\$ 83,042,618</u>	<u>100%</u>	<u>\$ 137,169,312</u>	<u>100%</u>	<u>\$ 118,098,199</u>	<u>100%</u>	<u>\$ 105,462,087</u>	<u>100%</u>	<u>\$ 72,800,000</u>	<u>100%</u>	<u>\$ 38,803,725</u>	<u>100%</u>
Less Than 12 Months	\$ 65,987,679	100%	\$ 28,959,057	35%	\$ 130,169,312	95%	\$ 66,973,489	57%	\$ 49,362,087	47%	\$ 43,500,000	60%	\$ 38,803,725	100%
Greater Than 12 months		0%	\$ 54,083,561	65%	\$ 7,000,000	5%	\$ 51,124,710	43%	\$ 56,100,000	53%	\$ 33,800,000	46%		0%
	<u>\$ 65,987,679</u>	<u>100%</u>	<u>\$ 83,042,618</u>	<u>100%</u>	<u>\$ 137,169,312</u>	<u>100%</u>	<u>\$ 118,098,199</u>	<u>100%</u>	<u>\$ 105,462,087</u>	<u>100%</u>	<u>\$ 72,800,000</u>	<u>106%</u>	<u>\$ 38,803,725</u>	<u>100%</u>
Portfolio return	3.2%		3.9%		3.2%		3.7%		3.9%		3.5%		3.1%	
Investment Advisor	x		✓		x		x		✓		x		x	

# **ATTACHMENT TO FAC 6A – 09/2015**

## **Investment Policy and Procedure Review**

### **ATTACHMENT 7**

Draft recommendation provided by WATCH to the  
Sustainability Advisory Committee

## **ALBURYCITY DIVESTMENT RECOMMENDATIONS 3 May 2015 (version 2)**

1. That AlburyCity review their investment policy guidelines for provision of financial services to provide preference to:
  - i. financial institutions that do not directly invest in any company for whom the extraction, production, refining, or distribution of fossil fuels forms a core part of their business strategy, nor in any company whose principal business involves providing infrastructure or services (financial or otherwise) to companies previously mentioned as long as
    - a) the investment is compliant with all other parts of AlburyCity's investment policy; and
    - b) the investment rate of interest is comparable to similar investments that may be available to AlburyCity at the time of investment
  - ii. financial institutions that comply with point i. and in addition are locally owned and directly support the Albury community and economy through community grants, environmental initiatives, community capacity building and local employment
  - iii. financial institutions that comply with point i. and in addition actively support the renewable energy and sustainable housing industries through low interest loans or similar initiatives
2. That AlburyCity deny any automatic renewal to the present financial services contract providers for both term deposits and general transaction banking if they have not divested from fossil fuels at the expiry of the current term.
3. That AlburyCity amend their policy of allowing only up to 40% of investments with second tier banks, such that Bendigo Bank be given due consideration. Bendigo Bank is rated by AlburyCity as a second tier bank, yet as Australia's fifth biggest bank and the only one of Australia's five biggest banks with a fossil-free status, it is recommended that AlburyCity raise their 40% threshold.
4. That AlburyCity prepare a brief detailing their current financial service providers, including fossil-fuel investment status of each provider and contract terms for term deposits.
5. That AlburyCity thereafter prepare monthly reports detailing each investment in terms of its fossil fuel status, sum invested and percentage of AlburyCity's portfolio. This will enable ready identification and tracking of AlburyCity's fossil-fuel free investments.
6. That AlburyCity makes every reasonable effort possible to become 100% fossil free in its financial investments as rapidly as practicable.

**Note: These recommendations were compiled for the Sustainability Advisory Committee by Lizette Salmon in consultation with Cr David Thurley and members of Wodonga Albury Towards Climate Health (WATCH), the Indigo Environmental Advisory Committee and 350.org.**