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Investment Policy

DOC/22/2143

Policy No: AF004

Approved: 3 February 2022



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IMPORTANT | ENGLISH

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ΣΗΜΑΝΤΙΚΟ | ΕΛΛΗΝΙΚΟ

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PENTING | MELAYU

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Midway Community Centre
6 Midway Drive, Buronga NSW 2739

重要 | 普通话 (简体中文)

如果您在阅读和理解本文件时需要帮助, 温特沃斯郡议会的客户服务人员很乐意协助安排免费口译服务。如需安排口译员, 请致电 03 5027 5027 联系市议会, 或前往下列市议会办公室。

ਮਹੱਤਵਪੂਰਨ | ਅੰਗਰੇਜ਼ੀ

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਨੂੰ ਪੜ੍ਹਨ ਅਤੇ ਸਮਝਣ ਵਿੱਚ ਸਹਾਇਤਾ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਵੈਨਟਵਰਥ ਸ਼ਾਇਰ ਕਾਉਂਸਲ ਦੇ ਗਾਹਕ ਸੇਵਾ ਸਟਾਫ਼ ਇੱਕ ਮੁਫਤ ਵਿਆਖਿਆ ਸੇਵਾ ਦੇ ਪ੍ਰਬੰਧ ਵਿੱਚ ਸਹਾਇਤਾ ਕਰਨ ਲਈ ਖੁਸ਼ ਹਨ। ਦੁਆਰਾ ਦਾ ਇੰਤਜ਼ਾਮ ਕਰਨ ਲਈ, ਕਰਿਪਾ ਕਰਕੇ 03 5027 5027 'ਤੇ ਕਾਉਂਸਲ ਨਾਲ ਸੰਪਰਕ ਕਰੋ, ਜਾਂ ਹੇਠਾਂ ਸੂਚੀਬੱਧ ਕਮਿ ਕਾਉਂਸਲ ਦਫ਼ਤਰ 'ਤੇ ਜਾਓ।

สำคัญ | แบบไทย

หากคุณต้องการความช่วยเหลือในการอ่านและทำความเข้าใจเอกสารนี้ เจ้าหน้าที่บริการลูกค้าของ Wentworth Shire Council ยินดีให้ความช่วยเหลือในการจัดการบริการล่ามฟรี หากต้องการจัดเตรียมล่าม โปรดติดต่อสภาที่ 03 5027 5027 หรือไปที่สำนักงานสภาตามรายการด้านล่าง

ÖNEMLİ | TÜRKÇE

Bu belgeyi okuma ve anlama konusunda yardıma ihtiyacınız varsa, Wentworth Shire Belediyesi'nin müşteri hizmetleri personeli, ücretsiz tercümanlık hizmetinin ayarlanmasında yardımcı olmaktan mutluluk duyacaktır. Bir tercüman ayarlamak için lütfen 03 5027 5027 numaralı telefondan Belediye ile iletişime geçin veya aşağıda listelenen bir Belediye Ofisini ziyaret edin.

QUAN TRỌNG | TIẾNG VIỆT

Nếu bạn cần trợ giúp để đọc và hiểu tài liệu này, nhân viên dịch vụ khách hàng của Hội đồng Wentworth Shire sẵn lòng hỗ trợ sắp xếp dịch vụ thông dịch miễn phí. Để sắp xếp một thông dịch viên, vui lòng liên hệ với Hội đồng theo số 03 5027 5027 hoặc đến Văn phòng Hội đồng được liệt kê bên dưới.



Wentworth Shire Council Main Office
26-28 Adelaide Street, Wentworth NSW 2648

INVESTMENT POLICY

POLICY OBJECTIVE

This Council Policy deals with the investment of Council funds. Wentworth Shire Council's investment policy relates to the investment of surplus funds and funds held in reserve for future expenditure. These funds are to be invested through the defined guidelines of the investment strategy and this policy which gives guidance to staff on the consideration of risk, return and liquidity requirements of Council.

1. POLICY STATEMENT

The aim of this policy is to establish an investment framework that ensures due process is followed when investing Council funds. The following are the objectives of this policy:

- To protect and preserve capital from investment, credit and liquidity risk;
- To maximise investment returns in a safe and sustainable way;
- To ensure Council's investments comply with the relevant legislative requirements issued by governing bodies and to comply with reporting and auditing requirements;
- To establish a procedural framework for managing and investing Council funds; and
- To ensure all investment decisions are in line with Council's adopted investment strategy which will be updated and reviewed annually.

Council's investment objective is to preserve capital whilst meeting liquidity requirements and meeting Council set benchmarks for expected investment returns. Funds held in reserve are maintained specifically with the purpose of future expenditure as consistent with Council's long-term financial plan.

2. POLICY COVERAGE

This policy applies to all Council Officers who have authority delegated to invest surplus funds on Council's behalf.

3. STRATEGIC PLAN LINK

Objective: Wentworth is a caring, supportive and inclusive community that is informed and engaged in its future.

Strategy: Provide strong and effective representation, leadership, planning, decision-making and service delivery.

4. DEFINITIONS AND ABBREVIATIONS

Term/Word	Definition
AFMA	Australian Financial Markets Association.
Approved Investments	Investments allowed by the most current Ministerial Investment Order as issued under section 625 of the <i>Local Government Act</i> 1993 (NSW).
BBSW	Bank-Bill Reference Rate.
Ethics and conflicts of interest	Personal activities that would conflict with the proper execution and management of Council's investment portfolio.
General Manager	General Manager of the Wentworth Shire Council.

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Independent Advisor	An independent person who is approved by Council and licensed by the Australian Securities and Investment Commission to provide investment advice.
Moody's	Moody's rating agency.
Prohibited Investments	Investments that are prohibited by the most current Ministerial Investment Order as issued under section 625 of the <i>Local Government Act 1993</i> (NSW).
Prudent Standard Person	The investment will be managed with the care, diligence and skill that a prudent person would exercise.
S & P rating	Standard & Poor's Australia/NZ rating agency.
TCorp & TCorpIM	New South Treasury Corporation and New South Wales Treasury Corporation Managed Investments.

5. POLICY CONTENT

Delegation of Authority

Authority for the implementation of this policy is delegated by Council to the General Manager in accordance with the *Local Government Act 1993* (NSW). The General Manager has in turn delegated investment authority to the following positions:

- Director Finance & Policy;
- Manager Finance & Administration; and
- Accountant

The Officer's 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. As trustees of public monies, the relevant delegates are to manage Council's investment portfolio to safeguard the portfolio in accordance with the spirit of this policy, and not for speculative purposes.

Due to the importance of investments, all actions performed by delegates in relation to the investment of Council funds will require a double authentication procedure. New investments and term deposit renewals must be advised of by file note signed by two or more relevant delegates.

Authorised Investments

Authorised investments shall be limited to those allowed in the most current Ministerial Investment Order. Currently those investments include:

- Commonwealth or state issued or guaranteed securities;
- Debentures or securities issued by a council;
- Interest bearing deposits, debentures or bonds issued by Authorised Deposit Taking Institutions (ADI's);
- Bills of exchange with a maturity of less than 200 days; and
- A deposit with the New South Wales Treasury Corporation (T-Corp).

Prohibited Investments

In accordance with the Ministerial Investment Order, this policy prohibits but is not limited to any investment carried out for speculative purposed including:

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- Derivative based instruments;
- Principal only investments or securities that provide potentially nil or negative cash flows; and
- Stand-alone securities that have an underlying futures, options, forwards contract 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 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 – setting limits to amounts invested with a particular financial institution or government authority to reduce credit risk;
- Credit risk – the risk that a Council investment fails to pay 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.

All allowable limits including the diversification and liquidity limits will be detailed in Council's adopted investment strategy. Council's adopted performance benchmarks will also be detailed in the investment strategy.

Reporting

Documentary evidence must be held for each investment and details thereof maintained in an investment register. The documentary evidence must provide Council legal title to the investment. Certificates must be obtained from the financial institutions confirming the amounts of the investments held on Council's behalf as at 30 June each year and reconciled to the investment register.

Council's authorised investment delegates are required to ensure all investments are appropriately recorded in Council's financial records and reconciled at least on a monthly basis. A monthly report will be provided to Council. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date, credit rating and changes in market value.

This policy will be reviewed at least once a year or as required in the event of legislative changes. The policy may also be changed as a result of other amendments that are to the advantage of Council and in the spirit of this policy. Any amendments to this policy must be by way of Council resolution. The investment strategy should be reviewed and signed off by Council at least annually.

Investment Advice

Council can at any time appoint an investment advisor. Council's investment advisor must be approved by Council and licenced 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 this policy.

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Ethical and Socially Responsible Investing

Where possible Council will look to adopt an investment, which seeks to improve social, environmental and ethical impacts. In addition to a normal risk and return assessment, Council investments will be evaluated further on their ethical and social impact. A number of independent organisations have been established to evaluate and rate companies according to these criteria. It is Council's intention to support ethical and socially responsible companies but only where all other investment criteria have been met and performance is not disadvantageous to Council.

6. RELATED DOCUMENTS & LEGISLATION

Legislation

- *Local Government Act 1993 (NSW)*
- *Local Government (General) Regulation 2021*
- *Independent Commission Against Corruption Act 1998 (NSW)*
- *Public Interest Disclosure Act 1994 (NSW)*

Council Policies

- GOV001 – Gifts and Benefits Policy
- GOV005 – Procurement Policy
- GOV004 – Internal Reporting Policy
- GOV005 – Procurement Policy
- GOV009 – Delegation Policy
- GOV020 – Code of Conduct Policy
- GOV022 – Legislative Compliance Policy
- GOV023 – Conflict of Interest Policy

Council Documents

- Legislative Compliance Framework
- Governance Framework
- Fraud Control Plan
- Gifts and Benefits Register
- Conflict of Interest Register

7. ATTACHMENTS

Investment Strategy.

8. DOCUMENT APPROVAL

This document is the latest version of the official policy of the Wentworth Shire Council, as adopted by Council on 31 January 2022. All previous versions of this policy are null and void.

This policy may be amended or revoked by Council at any time.

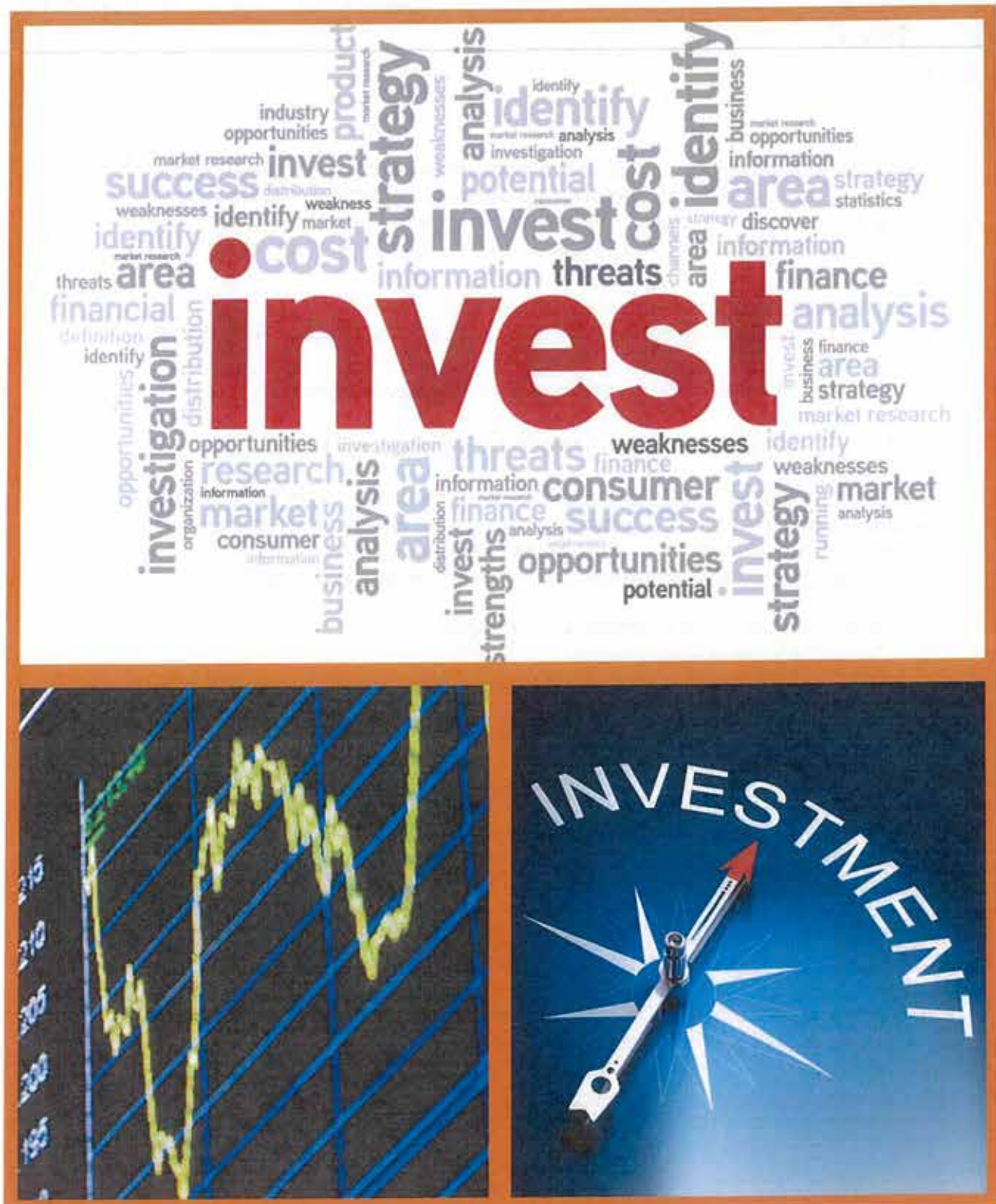
A PDF copy of the signed document can be accessed from Council's record management system and Reliansys.

Signed: 

General Manager Wentworth Shire Council

3 February 2022

Date



INVESTMENT STRATEGY

**WENTWORTH
SHIRE COUNCIL**

PURPOSE

The investment strategy sets out Council's investment goals and targets for the coming year. The aim of the strategy is to guide the management of Council's investment portfolio over the short medium and long term to ensure Wentworth Shire Council enjoys continued financial success. The key objectives of this strategy are:

- Maintenance of a balanced and diversified portfolio
- Ensure required fund availability and liquidity standards allow for continued operations
- Maximise investment returns to consistently achieve above benchmark returns and;
- Manage Risk in terms of investment products and credit ratings

The investment strategy should be applied by all relevant delegates of Wentworth Shire Council in the process of actively managing investments. This Strategy operates in tandem with the adopted investment policy. Wentworth Shire Council's investment strategy is determined after considering a review of the following issues:

- Global and Domestic investment environments
- Current legislative requirements
- Current composition of Council's investment portfolio and future cash flow needs and;
- Short, Medium and Long-term financial plans

LIQUIDITY

The majority of Wentworth Shire Council's cash and investments are held as internally and externally restricted cash reserves to satisfy the council's legislative responsibility and set aside specific funds for future specific Council requirements.

Presently there are increased demands for funds due to a number of capital projects. With that brings the need for capital to be called on at short notice. Therefore, specified amounts are required to be held in liquid investments to meet these short-term movements in cash. To ensure Council has available funds to meet their commitments and its short-term operational commitments the following liquidity targets have been set:

Investment Horizon	Maturity Date Range	Minimum Allocation	Maximum Allocation
Working Capital	0-3 months	5-10% or \$1,500,000	75%
Short – Term Funds	3-12 months	25%	75%
Short – Medium Term	1-2 years	20%	60%
Medium Term	2-5 years	0%	40%
Long Term	5-10 years	0%	20%

Councils liquidity will be monitored on an ongoing basis to ensure cash requirements are met and liquidity requirements remain in line with the table above. Time horizons reflect expected holding periods as adopted in this strategy.

DIVERSIFICATION

Council currently mandates that its portfolio strategy shall revolve around three key diversification methods those being:

- Credit quality and satisfying of TCorp requirements
- Time horizon or maturity profile and;
- Risk profile of potential investment

Currently due to TCorp requirements certain credit rating diversification requirements are in place wherein no more than 35% of council funds can be held with a BBB+ or lower rated bank.

Column A		Column B	Column C	Column D
Long Term Debt Rating				
S&P	Moody's			
AAA	Aaa	100%	100%	Not applicable
AA+ to AA-	Aa1 to Aa3	100%	100%	5 years
A+ to A	A1 toA2	100%	100%	3 years
A-	A3	40%	20%	3 years
BBB+	Baa1	35%	10%	3 years
BBB	Baa2		5%	12 months

Diversification levels are also required to be maintained with regard to counterparty limits. Designed to limit the exposure to any one financial institution these exposure standards do not apply to TCorp managed investments as the managed investments provide exposure to a wide range of companies. Maximum holdings is based on the credit rating of the individual institution.

Long-Term Credit Rating	Maximum Holding
AAA Rating	30%
AA Rating	25%
A Rating	20%
BBB Category	10%

TCorp also makes available a series of managed investment portfolios graded by risk and recommended holding term, Wentworth Council has set a maximum level of holdings for these investments in order to minimise risk exposure.

NSW TCorp IM Funds	Max %
TCorpIM Cash Fund	30%
TCorpIM Short Term Cash Fund	20%
TCorpIM Medium Term Growth Fund	15%
TCorpIM Long Term Growth Fund	5%

In the case any investments are downgraded or Councils' investments fall out of line with strategy limits investments will be divested as soon as practical.

PERFORMANCE BENCHMARKS

Council intends for their investments to perform at a rate above the 11am RBA cash rate for their liquid and term deposit investments for all other investments such as TCorp managed funds performance is targeted to match internally set benchmarks as disclosed on the investment file note.

PORTFOLIO CONSTRUCTION

Current Council strategies have revolved around liquidity for the increased capital project expenditure in the last two financial years. Whilst council continues to expand at such a rapid pace it is necessary to hold shorter term investments. Due to the requirements of the TCorp loan facility at least 65% of investments will be held with an A rated or higher financial institution. These investments will be complemented with a build of medium and longer-term investments that will provide a foundation of stability and growth during the low interest rate environment.

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Contact

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Have Your Say:
wentworth.nsw.gov.au/have-your-say