1. **POLICY STATEMENT**

Council will manage its investments on a corporate basis and in a centralised manner in accordance with council's Treasury Management Administrative Directive.

2. **PRINCIPLES**

This policy identifies council's overall financial risk philosophy and objectives.

3. **SCOPE**

This policy applies to all workers who are responsible for transactions which may affect council's investment accounts.

4. **RESPONSIBILITY**

The Chief Executive Officer, Chief Financial Officer and Team Manager Financial Services are responsible for ensuring this policy is understood and adhered to by workers.

5. **DEFINITIONS**

- **At call** – means an investment that can be redeemed and the moneys invested can be retrieved by the investor from the financial institution within 30 days without penalty.

- **Counterparty** – means a legal and financial term that refers to the other individual or institution to an agreement or contract.

- **Credit risk** – means the risk of loss due to the failure of the counterparty of an investment to meet its financial obligations in a timely manner.

- **Financial institution** – means an authorised deposit-taking institution within the meaning of the *Banking Act 1959 (Cwlth).*

- **Interest rate risk** – means the risk of a change in the market value of the investment portfolio, which arises due to a change in interest rates.

- **Investment Portfolio** – means a collection of short, medium and long term cash deposit investment accounts.
Liquidity risk – means the risk that council will have insufficient cash available to meet its working capital needs.

Market Average Rate of Return – for performance purposes, means the investment portfolio will be compared to the UBS Australia Bank Bill Index over a rolling one-year period.

Transaction risk – means the risk of a direct or indirect loss resulting from inadequate or failed internal processes, people or systems.

Preservation of Capital – means an investment strategy with the primary goal of preventing losses in an investment’s total value. In modern portfolio theory terms, it refers to a guaranteed investment of principal, which would provide a return of at least inflation.

Responsible officer – means council officers who are responsible for activity directly related to the transfers of cash between council’s investment accounts e.g. Finance Officers.

Workers – includes employees, contractors, volunteers and all others who perform work on behalf of council.

6. POLICY

Council’s investment portfolio will be managed centrally on a corporate basis and a conservative investment approach will be applied.

Council will:

- Endeavour to preserve capital through the effective management of the investment portfolios exposure to credit risk, interest rate risk, liquidity risk and transaction risk.
- Maintain sufficient liquidity of its investment portfolio to meet all reasonably anticipated cash flow requirements, as and when they fall due; and
- Maintain an investment portfolio which is expected to achieve a market average rate of return

6.1 REPORTING AND PERFORMANCE MEASUREMENT

Reporting will be undertaken on a monthly basis reviewing all investment related exposures, specifically detailing information on the investment portfolio in terms of interest rate, counterparty percentage exposure and year to date running yield.

Regular cash management reports (weekly) will be prepared by Financial Reporting and Budgets.

6.2 DOCUMENTATION AND APPROVAL

Any transaction occurring between council’s transactional bank account and at call cash deposit accounts will require approval from an authorised account signatory.

Any transactions occurring between council’s at call cash deposit accounts and cash deposit accounts, with a term to maturity of one month or more, will require approval from the Chief Financial Officer.

Each transaction will require written confirmation by the approved financial institution. Council will maintain the necessary documents related to all transactions with approved financial institutions.
7. **LEGAL PARAMETERS**

Statutory Bodies Financial Arrangement Act 1982  
Statutory Bodies Arrangements Regulations 2007  
Local Government Regulation 2012  
*Banking Act 1959 (Cth)*

8. **ASSOCIATED DOCUMENTS**

Treasury Management Administrative Directive