

City of Joondalup

Investment Policy

September 2002

Objective

To provide policy guidelines for investment of the City's Funds which are surplus to immediate requirements.

Statement

1. Investment Objectives

The investments objective is to manage the Council's investment portfolio in order to maximise return within agreed risk parameters.

In achieving this the following must be maintained:

- (a) high level of security by using recognised assessment criteria;
- (b) adequate level of diversification to spread risk;
- (c) ready access to funds for day to day requirements;
- (d) adherence to the requirements of Section 6.14 of the Local Government Act 1995 and Section 18 (1) of the Trustees Act 1962 (as amended) (the "Prudent Person" rule);
- (e) ability for investment funds to achieve a return consistent with the UBSWA 90 day bank bill index and/or the Reserve Bank of Australia 11am cash rate.

2. Risk Profile

When exercising the power of investment the following are to be given consideration:

- (a) the purpose of the investment and the needs and circumstances;
- (b) the desirability of diversifying investments;
- (c) the nature of and risk associated with existing investments;
- (d) the need to maintain the real value of the capital and income;
- (e) the risk of capital or income loss or depreciation;
- (f) the potential for capital appreciation;
- (g) the likely income return and the timing of income return;
- (h) the length of the term of the proposed investment;
- (i) the probable duration of the fund;
- (j) the liquidity and the marketability of the proposed investment during, and on the determination of, the term of the proposed investment;
- (k) the aggregate value of the investment;
- (l) the effect of the proposed investment in relation to the tax liability (if any);
- (m) the likelihood of inflation affecting the value of the proposed investment;
- (n) the costs (including commissions, fees, charges and duties payable) of making the proposed investment; and
- (o) the results of a review of existing investments.

3. Delegated Authority to Invest

The authority is to be delegated to the Chief Executive Officer to make investment decisions and sign investment lodgements and withdrawals. Pursuant to the provisions of Section 5.45 of the Local Government Act 1995. This authority may be delegated to the Revenue Accountant.

4. Authorised Investments

Authorised investments would include but not necessarily be limited to:

- (a) Bank accepted/endorsed bank bills;
- (b) Bank negotiable Certificates of Deposit;
- (c) Bank interest bearing deposits;
- (d) Bank backed floating rate notes;
- (e) State/Commonwealth Government Bonds;
- (f) Cash, Cash Plus (or equivalent) Managed funds; and
- (g) City of Joondalup major land transactions.

5. Council's Direct Investments

(a) Quotations on Investments

Not less than three (3) quotations shall be obtained from authorised institutions whenever an investment is proposed. The best quote on the day will be successful after allowing for administrative and banking costs, as well as having regard to the limits set above and Council's bank management fee structure based around a level of credit funds being maintained.

(b) Term to Maturity

The term to maturity for an investment may range from "at call" to six months without Council approval.

(c) Liquidity

- (i) At least 20% of the total investment portfolio must be liquifiable within 10 days.
- (ii) Cash flow must be monitored daily to ensure cash funds are available to meet commitments.

(d) Major Land Transactions

The investment in City of Joondalup major land transaction accounts to be limited to the overdraft balance rounded up to the nearest \$100 on the first day of each month. The investment rate to be the Commonwealth Bank of Australia one month cash interest rate on the first day of each month plus a 1.00% premium.

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6. Investments with Fund Managers – Prudential Requirements

Investments in managed funds will only include cash funds for funds invested for 0-3 months and cash-plus/cash enhanced funds (maximum permitted duration 2 ½ years with a bank bill performance benchmark) for funds available for 3 months and more.

The managed funds must have a minimum credit rating of “A” from Standard & Poors or “A2” from Moodys.

Council’s investments must be available “at call” or readily accessible with no penalty over a maximum of 7 day period.

7. General Policy Guidelines

(a) Diversification Credit Risk

The amount invested with any one financial institution or managed fund should not exceed the following percentages of average annual funds invested. When placing investments, consideration should be given to the relationship between credit rating and interest rate.

Long Term Rating (Standard and Poors)	Short Term Rating (Standard and Poors)	Maximum Percentage of Total Investments with any one Financial Institution
AAA to AA-	A1+	50%
A+ to A-	A1	40%
BBB+ to BBB-	A2	Nil

(b) Credit Ratings

If any of the funds/securities held are downgraded such that they no longer fall within Council’s investment policy guidelines, they will be divested within 30 days or as soon as is practicable.

The short term rating order 0-365 days (as defined by S & P Australian Ratings) is:

A1+	Extremely strong degree of safety regarding timely payment
A1	A strong degree of safety for timely payment
A2	A satisfactory capacity for timely payment

The long term rating order is:

AAA to AAA-	An extremely strong capacity to repay
AA+ to AA-	A very strong capacity to repay
A+ to A-	A strong capacity to repay
BBB+ to BBB-	An adequate capacity to repay

8. Management Reporting

(a) Financial Reporting

Each month an investment report must be produced for Council.

The report is to summarise:

- Total funds invested by account type.
- Total funds invested by institution.
- Investment spread by institution.
- Institution exposure versus limits.
- Any breaches of authority.

(Each quarter the investment report must include returns versus benchmarks).

(b) Policy Review

At least annually, the Investment Policy shall be reviewed with regard to the suitability and compliance of the policy reported to Council.

Previous Policy No:	N/A
Amendments:	
Issued:	July 1999
Related Documentation:	Local Government Act 1995 Delegated Authority Manual