

## INVESTMENT POLICY

### 1. INTRODUCTION

#### 1.1 Purpose

To provide Dulverton Waste Management (DWM) with a contemporary investment policy based on an assessment of credit, market and liquidity risk within the legislative framework of the *Local Government Act 1993*.

To enable DWM to exercise the care, diligence and skill that a prudent person would exercise in investing DWM funds.

#### 1.2 Objectives

The objectives of this policy are to ensure that DWM:

- Funds are preserved;
- Maximises the return on cash funds after assessing credit, market and liquidity risk; and
- Funds are invested in accordance with its legislative and common law responsibilities.
- Maintains business health and value.

#### 1.3 Legislative Power

All investments are to be made in accordance with the provisions of the *Local Government Act 1993* section 75.

#### 1.4 Common Law Power

All investments are to be made exercising care, diligence and skill that a prudent person of business would exercise in managing the affairs of another person in accordance with the *Trustee Act 1898* Part II Investments and the *Trustee Legislation (Miscellaneous Amendments) Act 2006*.

## 1.5 Scope

This policy applies to the investment of all DWM cash funds.

This policy does not apply to:

- Loans made and authorised by DWM to external bodies; and
- Investments other than for the management of cash funds.

## 2. INVESTMENTS

2.1 Authorised investments comprise:

- Deposits with a Financial Institution (see Glossary for definition) as prescribed in Schedule 1.1;
- Investment arrangements (see Glossary) accepted, guaranteed or issued by or for the Commonwealth (see Glossary) or a State (see Glossary) or a Financial Institution as prescribed in Schedule 1.1;
- Other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a Financial Institution as prescribed in Schedule 1.1;
- An investment arrangement with a rating prescribed in Schedule 1.1; and
- Other investment arrangements with a rating prescribed in Schedule 1.2.

2.2 Prohibited Investments

This investment policy prohibits any investment carried out for speculative purposes, including but not limited to;

- Derivative based instruments;
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Stand alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

### **3. INVESTMENT GUIDELINES**

#### **3.1 Direct Investments (Category A)**

##### **3.1.1 Credit Rating**

DWM may deposit funds with any Commonwealth, State or Financial Institution having a rating prescribed in Schedule 1.1

##### **3.1.2 Term to Maturity**

The term to maturity of any of DWM's direct investments may range from 'at call' to 180 days inclusive.

#### **3.2 Investments with Fund Managers (Category B)**

##### **3.2.1 Credit Rating**

DWM may deposit funds with the manager of a cash fund, cash enhanced fund or bond fund, provided the Chief Executive Officer invests the funds so that DWM retains beneficial ownership in a security (see Glossary) authorised by the *Trustee Act*. The fund must have a rating prescribed in Schedule 1.2 or be guaranteed by the Commonwealth, State or a rated Financial Institution having a rating prescribed in Schedule 1.1.

##### **3.2.2 Term to Maturity**

DWM funds with an investment term of 0 to 180 days should be invested in a cash fund whilst funds which are available for 6 to 12 months or more may be invested in a cash enhanced fund or bond fund.

##### **3.2.3 Benchmark**

Cash and cash enhanced fund managers will be benchmarked against the UBS Bank Bill Index and performance reported monthly. Bond fund managers are to be benchmarked against the UBS All Maturities Composite Bond Index or another bond index approved by the DWM Board if the UBS All Maturities Composite Bond Index does not properly reflect the index profile of the investment.

For the purpose of reporting, investment performance against benchmark is to be reported on an after fees basis.

#### **4. DELEGATION OF AUTHORITY**

The CEO, whose duties include investments and cash flow monitoring, has the authority to invest funds under this policy and advise the Board accordingly.

#### **5. REPORTING**

##### **5.1 Valuation and Measurement**

Annual reports are to account for investments in accordance with the provisions of Accounting Standard *AASB7 Financial Instruments: Disclosure*.

##### **5.2 Reports**

On an annual basis (ie 30 June) a report will be prepared which summarises for each investment:

- Amount and performance of each investment to the respective benchmark reported on an after fees basis;
- Comparison of the investment portfolio with exposure limits; and
- Comparison of year-to-date investment income performance to budget.

##### **5.3 Audit**

For audit purposes, certificates must be obtained from all financial institutions confirming the amounts held on DWM's behalf at 30<sup>th</sup> June annually.

#### **6. VARIATIONS TO THE POLICY**

The CEO is authorised to approve variations to this policy in exceptional circumstances, if the investment is to DWM's advantage and/or due to the revised legislation.

Any such variations to this policy are to be listed on the next Board Meeting Agenda for review.

**REVIEW**

This policy will be reviewed every two years or upon legislative changes which may affect the policy, whichever is the sooner.

<b>Reference</b>		
APPROVED BY DWM BOARD:	29 <sup>th</sup> September 2009	Minute No. 14/2-09 Audit
EFFECTIVE DATE:	29 <sup>th</sup> September 2009	
REVIEW DATE:	21 <sup>st</sup> September 2010	Minute No. 4/3-10 Audit
REVIEW DATE:	28 <sup>th</sup> October 2011	Minute No. 2/11-11
NEXT REVIEW DATE:	1 <sup>st</sup> September 2013	
ADMINISTERED BY:	Chief Executive Officer	