



AGENDA

ECONOMIC DEVELOPMENT, BUSINESS AND CORPORATE COMMITTEE

11 MARCH 2019

MEMBERSHIP: Councillors J Diffey, V Etheridge, D Grant, D Gumley, A Jones, S Lawrence, G Mohr, K Parker, J Ryan and B Shields.

The meeting is scheduled to commence at .

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**DUBBO REGIONAL
COUNCIL**

Report of the Economic Development Business and Corporate - meeting 11 February 2019

AUTHOR: Administration Officer - Governance
REPORT DATE: 25 February 2019

The Committee had before it the report of the Economic Development, Business and Corporate Committee meeting held 11 February 2019.

RECOMMENDATION

That the report of the Economic Development, Business and Corporate Committee meeting held on 11 February 2019, be noted.



**REPORT
ECONOMIC DEVELOPMENT, BUSINESS AND
CORPORATE COMMITTEE
11 FEBRUARY 2019**

PRESENT: Councillors J Diffey, D Grant, A Jones, S Lawrence, K Parker and B Shields.

ALSO IN ATTENDANCE:

The Chief Executive Officer, the Executive Manager Governance and Internal Control, the Governance Team Leader, the Director Corporate Services, the Director Economic Development and Business, the Communications Coordinator, the Director Infrastructure and Operations, the Director Planning and Environment, the Trainee Planner, the Director Community and Recreation, the Manager Recreation and Open Space and the Manager Social Services.

Councillor B Shields assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.51pm.

**EDBC19/1 REPORT OF THE ECONOMIC DEVELOPMENT, BUSINESS AND CORPORATE
COMMITTEE - MEETING 12 NOVEMBER 2018 (ID19/43)**

The Committee had before it the report of the Economic Development, Business and Corporate Committee meeting held 12 November 2018.

Moved by Councillor K Parker and seconded by Councillor J Diffey

MOTION

That the report of the Economic Development, Business and Corporate Committee meeting held on 12 November 2018, be noted.

CARRIED

**EDBC19/2 INVESTMENTS UNDER SECTION 625 OF THE LOCAL GOVERNMENT ACT -
DECEMBER 2018 (ID19/25)**

The Committee had before it the report dated 24 January 2019 from the Director Corporate Services regarding Investments Under Section 625 of the Local Government Act - December 2018.

Moved by Councillor Jones and seconded by Councillor J Diffey

MOTION

That the information provided within the report of the Director Corporate Services, dated 24 January 2019 be noted.

CARRIED

Councillor K Parker declared a pecuniary, significant interest in the matter now before the Committee and left the room and was out of sight during the Committee's consideration of this matter. The reason for such interest is that Councillor K Parker an employee of the Dubbo Branch of the Bank of Queensland, a bank that Council has funds invested with.

**EDBC19/3 INVESTMENTS UNDER SECTION 625 OF THE LOCAL GOVERNMENT ACT -
JANUARY 2019 (ID19/26)**

The Committee had before it the report dated 1 February 2019 from the Director Corporate Services regarding Investments Under Section 625 of the Local Government Act - January 2019.

Moved by Councillor D Grant and seconded by Councillor S Lawrence

MOTION

That the report from the Director Corporate Services dated 1 February 2019 be noted.

CARRIED

Councillor K Parker declared a pecuniary, significant interest in the matter now before the Committee and left the room and was out of sight during the Committee's consideration of this matter. The reason for such interest is that Councillor K Parker an employee of the Dubbo Branch of the Bank of Queensland, a bank that Council has funds invested with.

EDBC19/4 DRAFT POLICY FOR APPLICATIONS AND ENQUIRIES RELATING TO EVENTS INCLUDING PROTESTS, DEMONSTRATIONS AND SPECIAL EVENTS ON THE ROAD NETWORK (ID19/32)

The Committee had before it the report dated 29 January 2019 from the Executive Manager Governance and Internal Control regarding Draft Policy for Applications and Enquiries Relating to Events Including Protests, Demonstrations and Special Events on the Road Network.

Moved by Councillor S Lawrence and seconded by Councillor D Grant

MOTION

That the draft policy titled “Applications and Enquiries Relating to Events Including Protests, Demonstrations and Special Events on the Road Network” as attached to the report of the Executive Manager Governance and Internal Control dated 29 January 2019 as Appendix 1 be adopted.

CARRIED

EDBC19/5 DRAFT CODE OF CONDUCT AND PROCEDURES FOR THE ADMINISTRATION OF THE CODE OF CONDUCT (ID19/29)

The Committee had before it the report dated 29 January 2019 from the Internal Ombudsman regarding Draft Code of Conduct and Procedures for the Administration of the Code of Conduct.

Moved by Councillor S Lawrence and seconded by Councillor K Parker

MOTION

That the draft Code of Conduct and the Procedures for the Administration of the Code of Conduct as attached to this report as Appendix 1 be placed on public exhibition for a period of no less than 28 days for a further report to Council in due course.

Moved by Councillor J Diffey and seconded by Councillor S Lawrence

AMENDMENT

- 1. That the draft Code of Conduct and the Procedures for the Administration of the Code of Conduct as attached to this report as Appendix 1 be adopted, excluding clause 3.12, for the purpose of public exhibition.**
- 2. That the draft Code of Conduct and the Procedures for the Administration of the Code of Conduct be placed on public exhibition for a period of no less than 28 days for a further report to Council in due course.**

The amendment on being put to the meeting was carried.

CARRIED

The amendment then became the motion and on being put to the meeting was carried.

CARRIED

EDBC19/5 LEAVE OF ABSENCE

Requests for leave of absence were received from Councillors V Etheridge, D Gumley, G Mohr and J Ryan who are absent from the meeting due to personal reasons.

Moved by Councillor S Lawrence and seconded by Councillor J Diffey

MOTION

That such requests for leave of absence be accepted and Councillors V Etheridge, G Mohr and J Ryan granted leave of absence from this meeting.

CARRIED

The meeting closed at 5.58pm.

.....
CHAIRMAN



DUBBO REGIONAL
COUNCIL

REPORT: Quarterly Report on Documents Executed Under the Power of Attorney

AUTHOR: Executive Manager Governance and
Internal Control
REPORT DATE: 1 March 2019
TRIM REFERENCE: ID19/160

EXECUTIVE SUMMARY

At the February 2018 Ordinary meeting of Council held 26 February 2018, Council resolved:

1. *That Council delegate to Michael Gerard McMahon, General Manager, a prescribed power of attorney in accordance with the General Power of Attorney attached to the report as Appendix 1.*
2. *That Council authorise the Mayor and Deputy Mayor to execute the General Power of Attorney under the Common Seal of the Council.*
3. *That the General Manager report to Council every three (3) months on all documents signed under the prescribed Power of Attorney.*

In accordance with point 3 of this resolution, this report provides a listing of documents signed under the Power of Attorney delegated to the Chief Executive Officer from 31 November 2018 to 1 March 2019.

ORGANISATIONAL VALUES

Customer Focused: Granting of this power of attorney assists in facilitating the timely implementation of decisions of Council.

Integrity: The Chief Executive Officer is required to report to Council every three (3) months on those instances where documents have been signed under the power of attorney.

One Team: Not applicable.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That the information contained within the report of the Executive Manager Governance and Internal Control dated 1 March 2019 be noted.

Michael Ferguson

Executive Manager Governance and Internal Control

REPORT

In accordance with point 3 of the resolution, provided below is a listing of documents signed under the Power of Attorney delegated to the Chief Executive Officer for your information from 31 November 2018 to 1 March 2019.

Date Sealed	Details of Document
28/11/2018	Registration of Lease for NSW Ambulance - Communications Tower on Council Owned 43L Bunglegumbie Road Dubbo - Execution of subdivision documents - re-signing of documents.
12/12/2018	Settlement of land exchange - Transport for NSW - TfNSW - Exchange of land lots 5 lot 8 lot 9 lot 10 lot 12 with lot 1 lot 11 lot 14 lot 20 in DP 1241494
18/12/2018	Planning agreement - Sheraton Road Quarry with Regional Hardrock Pty Ltd
18/12/2018	Deposited plan administration sheet for Southlakes Estate Dubbo Subdivision of DP 1241422 and DP 1244669
18/12/2018	Deferred Developer Contributions Agreement for Stage 15A of the Delroy Park West Residential Subdivision - Delroy Pastoral Pty Ltd
13/02/2019	Deposited plan administration sheet for Public Road Opening - King Street Montefiores



REPORT: Attendance at the Regional Airports Symposium 2019

AUTHOR: Executive Manager Governance and Internal Control
REPORT DATE: 26 February 2019
TRIM REFERENCE: ID19/161

EXECUTIVE SUMMARY

The Regional Airports Symposium (RAS) 2019 is to be held at Airlie Beach on Thursday 9 May 2019 and Friday 10 May 2019 inclusive.

Clause 3.2 of Council's Payment of Expenses and Provisions of Facilities for the Mayor and Councillors policy states that attendance at conferences is to be approved by Council. A request has been received by the Mayor Councillor B Shields and Councillors G Mohr and D Gumley to attend this conference. It is recommended that the Mayor Councillor B Shields and Councillors G Mohr and D Gumley be approved to attend this conference. It is noted that each of these Councillors is a member of the Dubbo Regional Airports Committee with Councillor Mohr being the chairman.

ORGANISATIONAL VALUES

Customer Focused: Attendance at this conference by members of the Dubbo Regional Airports Committee will provide a learning and networking opportunity to assist in the strategic management of these facilities.

Integrity: Consideration of attendance at this conference is done in accordance with Council's policy on the Payment of Expenses and Provisions of Facilities for the Mayor and Councillors.

One Team: Not applicable.

FINANCIAL IMPLICATIONS

Funds are provided in the Governance budget to cover conference costs. Conference registration costs are approximately \$1,121 per attendee if paid by 5 April 2019. Travel and accommodation are in addition to the conference registration costs.

POLICY IMPLICATIONS

Clause 3.2 of Council's Payment of Expenses and Provisions of Facilities for the Mayor and Councillors policy states that attendance at conferences is to be approved by Council.

RECOMMENDATION

That Councillors Shields, Gumley and Mohr be approved to attend the Regional Airports Symposium (RAS) 2019 to be held at Airlie Beach on Thursday 9 May 2019 and Friday 10 May 2019 inclusive.

Michael Ferguson

Executive Manager Governance and Internal Control

REPORT

The Regional Airports Symposium (RAS) is on 9 and 10 May 2019, at Coral Sea Resort, in Airlie Beach, Queensland. RAS is a symposium which provides airport owners and operators an opportunity to discuss the challenges and opportunities for regional airports and gain collaborative knowledge from other airports across Australia and New Zealand.

Conference topics include:

- The pilot shortage in Australia and the response from airlines and regional airports;
- FIFO - what can be learnt from boom and bust;
- Destination development strategies for regions;
- Realities of air freight in regional airports;
- General aviation development at regional airports; and
- Landing fees and charges at regional airports.

Also included are panel discussions that are centred around:

- Route development at regional airports through regional partnerships;
- Airport governance and real-world experience; and
- Real issues facing regional airports

Clause 3.2 of Council's Payment of Expenses and Provisions of Facilities for the Mayor and Councillors policy states that attendance at conferences is to be approved by Council. A request has been received by the Mayor Councillor B Shields and Councillors G Mohr and D Gumley to attend this conference. It is recommended that the Mayor Councillor B Shields and Councillors G Mohr and D Gumley be approved to attend this conference. It is noted that each of these Councillors is a member of the Dubbo Regional Airports Committee with Councillor Mohr being the chairman.



REPORT: Investments Under Section 625 of the Local Government Act - February 2019

AUTHOR: Director Corporate Services
REPORT DATE: 1 March 2019
TRIM REFERENCE: ID19/142

EXECUTIVE SUMMARY

As required by Clause 212 of the Local Government (General) Regulation 2005, set out below are the details of all monies that Council has invested under Section 625 of the Local Government Act as at 28 February 2019.

Investments when placed have been done so in accordance with the Local Government Act, Local Government Regulations and Council's Investment Policy and Strategy. Interest on investments for the month of February 2019 has been accounted for on an accrual basis. This report details investments and annualised returns for the month of February 2019.

ORGANISATIONAL VALUES

Customer Focused: The investment of Council funds is undertaken in accordance with Council's adopted Investment Policy and Strategy which seeks to maximise returns for the community based on a conservative approach to investing.

Integrity: All Council investments are placed and managed in accordance with the adopted Investment Policy and Strategy.

One Team: Council's investments are managed under one portfolio.

FINANCIAL IMPLICATIONS

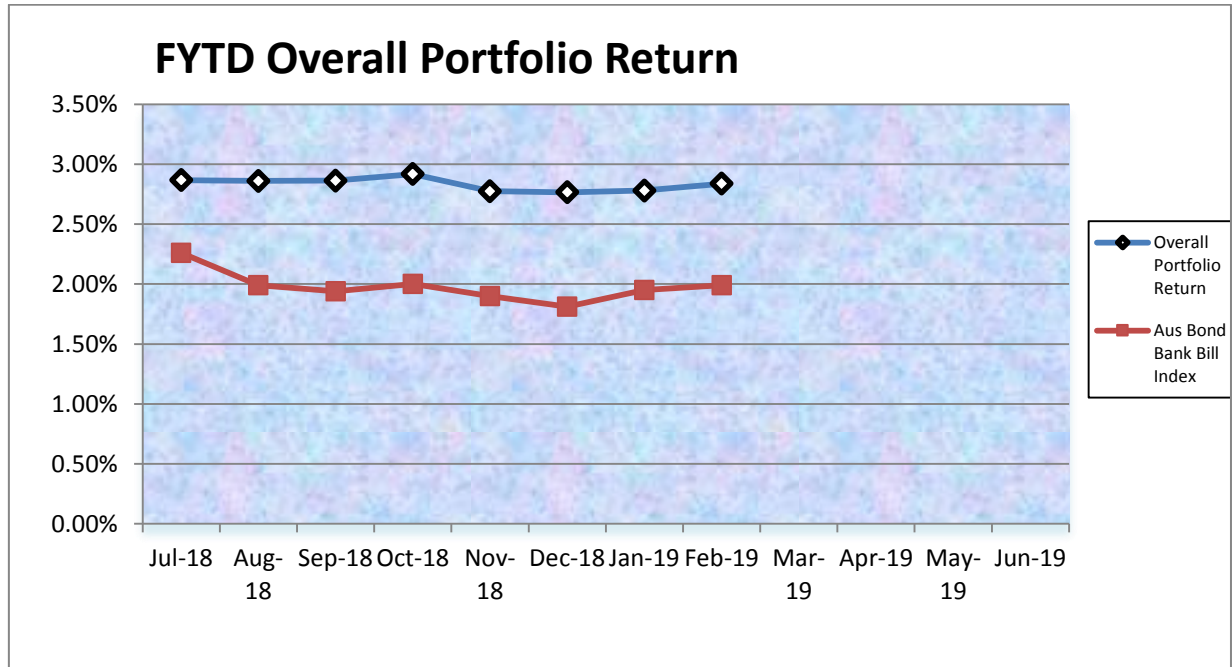
Interest earned on investments has been included within Council's 2018/2019 Operational Plan, with total income generated from the Investment Portfolio forecast to be in excess of \$6,600,000.

RECOMMENDATION

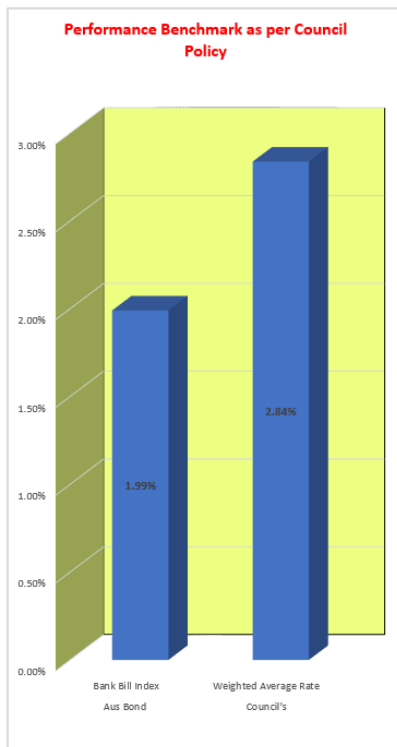
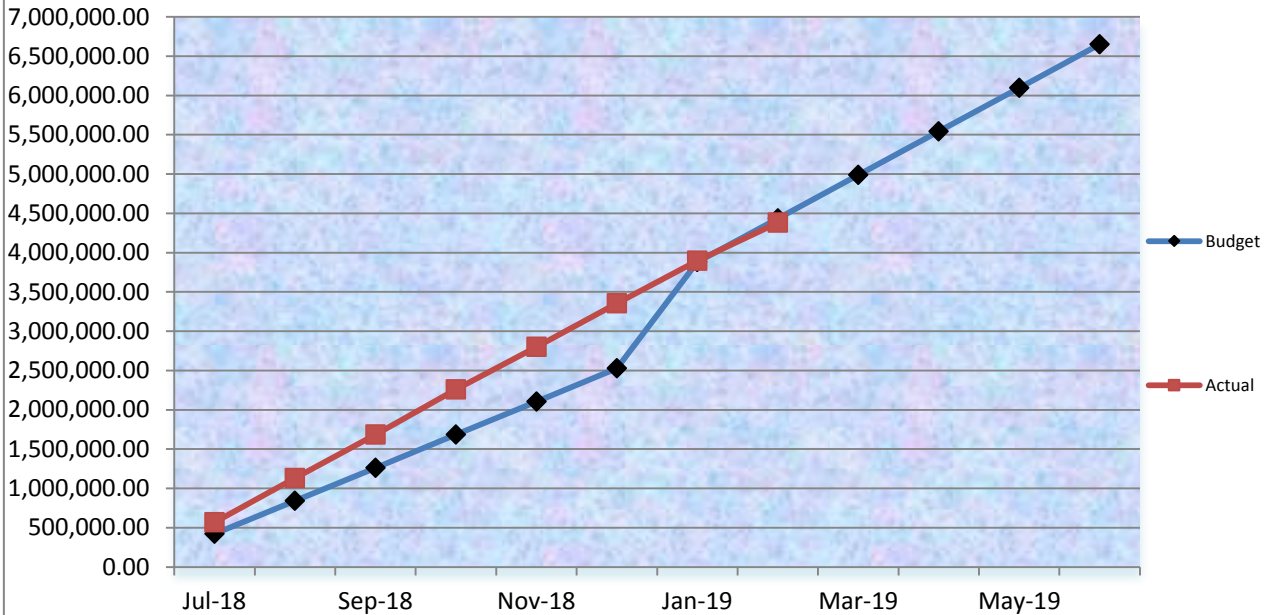
That the report from the Director Corporate Services dated 1 March 2019 be noted.

Craig Giffin
Director Corporate Services

Dubbo Regional Council				
FEBRUARY 2019 REPORT				
	2018	2019	2019	2019
Investments	Total	Current	Non-Current	Total
	As at 31/01/2019	Maturity By 30/06/2020	Maturity After 30/06/2020	31/01/2019
Cash & Cash Equivalents				
Cash on Hand and at Bank	\$28,700.00	\$28,700.00	\$0.00	\$28,700.00
Cash-Equivalent Assets (1)				
- Deposits At Call	\$15,127,980.26	\$19,633,156.27	\$0.00	\$19,633,156.27
Total Cash & Cash Equivalents	\$15,156,680.26	\$19,661,856.27	\$0.00	\$19,661,856.27
Investments (Note 6b)				
- Long Term Deposits > 3 Months	\$197,830,281.25	\$104,330,281.25	\$93,500,000.00	\$197,830,281.25
- NCD's and FRN's > 3 Months	\$17,250,787.13	\$6,750,000.00	\$10,500,787.13	\$17,250,787.13
- CDO's	\$0.00	\$0.00	\$0.00	\$0.00
Total Investments	\$215,081,068.38	\$111,080,281.25	\$104,000,787.13	\$215,081,068.38
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS				
	\$230,237,748.64	\$130,742,137.52	\$104,000,787.13	\$234,742,924.65
(1) Those Investments where time to maturity (from date of purchase) is < 3 months				



Budget to Actual - Interest on Investments



Investment % Held as per Council Policy

Institution	\$ Invested	% Invested	% Allowable	\$ Allowable
Cash on Hand and at Bank	\$28,700	0.01%		
Cash-Equivalent Assets				
NAB - Sweep Account	\$19,633,156	8.36%	100.00%	\$234,742,925
Direct Investments				
AMP	\$5,750,000	2.45%	20.00%	\$46,948,585
Bank of Queensland	\$22,830,281	9.73%	10.00%	\$23,474,292
Bendigo & Adelaide Bank	\$22,000,000	9.37%	10.00%	\$23,474,292
CBA	\$10,000,000	4.26%	30.00%	\$70,422,877
Macquarie Credit Union	\$1,000,000	0.43%	1.00%	\$2,347,429
NAB	\$61,000,000	25.99%	30.00%	\$70,422,877
St George	\$17,000,000	7.24%	30.00%	\$70,422,877
Suncorp	\$5,000,787	2.13%	20.00%	\$46,948,585
Westpac	\$67,500,000	28.75%	30.00%	\$70,422,877
TOTAL DIRECT INVESTMENTS	\$212,081,068	90.35%		
Grandfathered Investments				
Newcastle Permanent Building Society	\$3,000,000	1.28%		Rated BBB
TOTAL GRANDFATHERED INVESTMENTS	\$3,000,000	1.28%		
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTI	\$234,742,925	100.00%		

SUMMARY

Council outperformed the 11am Official Cash Rate market benchmark of 1.50%, with an average annualised return of 1.90% for its At Call investments for the month of February 2019. Council also outperformed the Bloomberg AusBond Bank Bill Index of 1.99% for the month, with an average annualised return of 2.84% for its overall portfolio return, including an average annualised return on Term Deposits and Floating Rate Notes of 2.98%.



DUBBO REGIONAL
COUNCIL

REPORT: Investment Policy and Strategy Review

AUTHOR: Chief Financial Officer
REPORT DATE: 13 February 2019
TRIM REFERENCE: ID19/136

EXECUTIVE SUMMARY

This report presents the revised draft 2019 Investment Policy and Investment Strategy as attached to this report for the Management of Council's Surplus Funds.

The Policy and Strategy are reviewed annually, as a minimum, to ensure that they remain appropriate given changes to the economic, investment and legislative environments. The annual review of the Policy and Strategy, together with the proactive management of the portfolio, has resulted in a secure investment portfolio that consistently outperforms the benchmark returns required by the policy.

The scope of Council's investments and the wider NSW local government sector is limited. It is mandated under the Local Government Act 1993, through a Ministerial Investment Order, that constrains Council investments to deposits and / or bonds in Federal, State (including NSW TCorp) or Local Governments and in banks that are Approved Deposit Taking Institutions under the Banking Act.

Council's Investment Policy has been updated and the titles and layout have been reviewed to clearly outline the internal control that will ensure adequate governance and allow transparent and clear performance measurement for the management of Council's cash and investment portfolio. Along with the Mandatory investment criteria for investment of Currency, Ownership, Credit rating, Risk Management Guidelines, Safe Custody Arrangements, Investment Horizon Limits and Environmentally and Socially Responsible Investments.

The Investment Strategy outlines Council's investment intentions in light of the current economic, investment and legislative environments. The focus is on the investment opportunities available to Council, guiding investments to be maintained in the coming 12 months and the investment of new funds. The Strategy aims to accomplish a balanced and diversified portfolio in terms of investment products, credit ratings and term to maturity to ensure sufficient liquidity will be available as funds are required.

ORGANISATIONAL VALUES

Customer Focused: This report centres on maximising return from interest on investments based on a conservative investment approach to ensure that sufficient revenue is generated to support the adopted budget and service delivery.

Integrity: The proposed Investment Policy and Strategy require the officers delegated to carry out their duties without conflict of interest and with due diligence.

One Team: The investment portfolio is managed and coordinated across all of Council's operations.

FINANCIAL IMPLICATIONS

Income from interest on investments has been incorporated within the 2018/2019 Operational Plan and future budgets.

POLICY IMPLICATIONS

Once adopted the attached draft Investment Policy will become a Policy of Council.

RECOMMENDATION

- 1. That the draft Investment Policy March 2019 and the Draft Investment Strategy March 2019 as Appendix 1 and Appendix 2 attached to this report of the Chief Financial Officer dated 13 February 2019 be adopted.**
- 2. That Council's Investment Policy and Investment Strategy be again reviewed and submitted to Council for determination in March 2020.**

Jane Bassingthwaite
Chief Financial Officer

BACKGROUND

Council at its Economic Development, Business and Corporate Committee meeting held in June 2018 resolved as follows:

- 1. That the draft Investment Policy June 2018 and the Draft Investment Strategy June 2018 attached as Appendix 1 and Appendix 2 to the report of the Manager Financial Operations dated 31 May 2018 be adopted.*
- 2. That Council's Investment Policy and Investment Strategy be again reviewed and submitted to Council for determination in December 2018.*
- 3. That the monthly report to Council regarding Investment also include detail on any Environmental and Socially Responsible investments.*

REPORT

The Investment Policy and Strategy documents (attached as **Appendix 1 and Appendix 2**) have been reviewed with advice from CPG Advisory Pty Ltd.

The Policy and Strategy are reviewed annually, as a minimum, to ensure that they remain appropriate given changes to the economic, investment and legislative environments. The annual review of the Policy and Strategy, together with the proactive management of the portfolio, has resulted in a secure investment portfolio that consistently outperforms the benchmark returns required by the policy.

Council's Investment Policy establishes the framework within which investment principles are applied to the investment of Council funds. The Policy provides overarching direction, objectives, the Legislative framework and criteria for Council investment. Along with how Council will maintain internal controls as follows:

- financial planning and cash-flow management
- delegated authorities and investment approval
- measurement of investment performance
- performance benchmarks
- reporting and review
- audit oversight

These internal controls will ensure adequate governance and allow transparent and clear performance measurement for the management of Council's cash and investment portfolio.

The Investment Strategy outlines Council's investment intentions in light of the current economic, investment and legislative environments. The focus is on the investment opportunities available to Council, guiding investments to be maintained in the coming 12 months and the investment of new funds. The Strategy aims to accomplish a balanced and diversified portfolio in terms of investment products, credit ratings and term to maturity to ensure sufficient liquidity will be available as funds are required.

As required within Council's Investment Policy monthly reporting to Council is provided detailing the current investment portfolio, returns to date and holdings by maturity.

Council will continue to explore opportunities with TCorp for supporting environmentally and socially responsible investments. Council will continue to encourage and give preference to these investments, where they comply with the Ministerial Investment Order and satisfy Council's policy and investment objectives.

SUMMARY

The review of the Investment Policy and Strategy has been completed and is now submitted for adoption.

Appendices:

- 1 [↓](#) Council Policy - Investment Policy - March 2019 - Draft
- 2 [↓](#) Council Policy - Investment Strategy - March 2019 - Draft



COUNCIL POLICY

INVESTMENT POLICY

Date

Council Resolution Date

Clause Number

Responsible Position	Chief Financial Officer
Branch	Financial Operations
Division	Corporate Services
Version	5
TRIM Reference Number	
Review Period	Annually (or when a change in either regulation or market conditions necessitate a review)
Review Date	March 2019
Next Review Date	March 2020
Consultation	

Document Revision History	
Description	Date
Council Policy – Investment Policy - ED18/86872	1 June 2018
Notes	
EDBC18/33 Council Resolution Date 12 June 2018	

POLICY

Purpose

The Policy provides a framework for the optimum investment of Council's funds. While exercising the power to invest, consideration is to be given to the preservation of capital, liquidity and the return of investment. Council therefore has several primary objectives for its investment portfolio:

- Compliance with legislation, regulations, the prudent person tests of the *Trustee Act* and best practice guidelines;
- The preservation of the amount invested;
- To ensure there are sufficient liquid funds to meet all reasonably anticipated cash flow requirements; and
- To generate income from the investment that exceeds the performance benchmarks mentioned later in this document.

BACKGROUND AND RELATED LEGISLATION

All investments are to comply with the following:

- *Local Government Act (1993)*;
- *Local Government (General) Regulation (2005)*;
- Ministerial Investment Order;
- *The Trustee Amendment (Discretionary Investments) Act (1997)* – Section 14;
- Local Government Code of Accounting Practice and Financial Reporting;
- Australian Accounting Standards;
- Office of Local Government *Investment Policy Guidelines*; and
- Office of Local Government Circulars.

Council's Investment Strategy will run in conjunction with this Investment Policy.

SCOPE

This policy statement has been prepared to recognise the legislative requirements and obligations for the investment of Council's funds.

Council will comply with investment regulations and directions of the Office of Local Government which will prevail in the event of inconsistencies with the adopted Policy.

This document replaces any previous Investment Policy document approved by Council in June, 2018. This Investment Policy will be reviewed annually in March each year, or when a change in either regulation or market conditions necessitate a review.

DEFINITIONS

Refer to Appendix 1.

POLICY

Policy statement

Council's investment objective is to ensure funds that are surplus to Council's immediate requirements are invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds.

Investment governance

The following internal control practices are in place to ensure adequate governance and allow transparent and clear performance measurement for the management of Council's cash and investment portfolio:

- financial planning and cash-flow management
- delegated authorities and investment approval
- measurement of investment performance
- performance benchmarks
- reporting and review
- audit oversight.

These internal control practices are explained in more detail below.

Financial planning and cash-flow management

Funds that are surplus to Council's immediate cash requirements will be managed in accordance with the long, medium and short-term financial cash requirements.

Long term financial plans are developed to ensure the long-term financial sustainability of Dubbo Regional Council. These plans will incorporate forecasts of cash inflows and outflows to:

- estimate cash surpluses and shortages in future periods
- identify the longer and medium term investment horizon for surplus funds.

Shorter term financial plans are used to predict funds availability and monitor the Council's cash management needs throughout the year. These cash flow models are monitored daily to facilitate informed investment decisions and to ensure that sufficient liquidity exists to satisfy Council's financial commitments.

Delegated authorities and investment responsibilities

Authorities and investment responsibilities are defined within Council's Delegation Authority. Authority for the implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the *Local Government Act 1993*.

The Chief Executive Officer has also delegated authority to invest surplus funds as follows:

- Director Corporate Services (DCS)
- Chief Financial Officer (CFO)

- other senior financial officers who have the requisite skills to undertake investment functions (as per the Delegations Register).

Officers with delegated authority are required to acknowledge they have received a copy of this policy and understand their obligations in this role.

Investment responsibilities

Council's Treasury Management Section prepares investment recommendations in accordance with this Policy and the Investment Strategy. To achieve the best value for Council's investments, recommendations will consider:

- credit risk
- forecast cash requirements
- alternative investments with comparable risk
- liquidity and maturity profiles.

A minimum of two price quotations of like or similar investments must be obtained for the acquisition of all market investments in order to verify the fairness of the purchase price. Where investing directly, Council shall demonstrate reasonable endeavours to ensure best execution, having regard to competing rates.

Two authorised signatories, with appropriate delegation limits, must approve each investment recommendation. Recommendations must be retained on file as a permanent record.

Cash - Council retains funds for daily operational payment needs in a combination of a cheque account and Sweep Account. A sweep facility manages savings and day-to-day spending money by automating transfers between linked transaction and savings account. Council sets a lower and upper limit for its transaction account balance. A sweep facility moves money from your savings to keep your transaction account balance above the minimum limit so you have enough cash for everyday spending and to pay your bills. If your transaction account balance reaches the upper limit, money is automatically transferred to your savings to earn interest.

Ethics and Conflicts of Interest - Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. Officers must disclose any conflict of interest to the Chief Executive Officer. Independent advisors are also to declare that they have no actual or perceived conflicts of interest and receive no inducements in relation to Council's investments.

Measurement of investment performance

Investment performance includes both interest returns and any change in the underlying capital value of the investments.

Interim fluctuations of capital value are excluded from the monthly measurement of investment performance on the basis that:

- investments are mainly acquired with the intention of holding them through to maturity
- cash liquidity requirements are structured and managed to ensure that Council is not in a financial position that will require a forced sale of these assets.

Notwithstanding the above position, changes in capital value are important and the monthly investment report will therefore provide Council with indicative market valuations of each investment. In the event that the capital value of any investment becomes permanently impaired, or a capital loss or gain is actually realised (through disposal), the loss or gain of value will be recognised within that month's financial accounts.

Performance benchmarks

The performance of each investment will be assessed against the benchmarks listed in the table below.

It is Council's expectation that the performance of each investment will be greater than or equal to the applicable benchmark whilst taking into account its risks, liquidity and other benefits. Council will take due steps to ensure that any investment is executed at the best pricing reasonably possible.

Investment	Performance Benchmark	Time Horizon
Funds held in overnight accounts - 11 am Account including TCorpIM Cash Fund, Cash Management Accounts.	11am Official Cash Rate	3 months or less
Short dated bills, Term Deposits of appropriate remaining term, FRN's nearing maturity, TCorpIM Short Term Income.	AusBond Bank Bill Index (BBI)	3 months to 12 months
Term Deposits with a maturity date between 1 and 2 Years, FRN's.	AusBond Bank Bill Index (BBI)	1 to 2 years
FRN's, Bonds, Term deposits with a maturity date between 2 and 5 Years.	AusBond Bank Bill Index (BBI)	2 to 5 Years
TCorpIM Managed Funds (Diversified or growth asset sectors).	Fund's Internal Benchmark	3 Years (M/T Growth) 5+ Years (L/T Growth or Growth Sector Funds)

Grandfathered investments are allocated to the appropriate horizon based on expected or average exit date and should be taken into account when allocating the rest of the portfolio. The decision on when to exit such investments are based on a range of criteria specific to the investments – including but not limited to factors such as:

- Returns expected over the remaining term;
- Fair values;
- Competing investment opportunities;
- Costs of holding;
- Liquidity and transaction costs
- Outlook for future investment values; and
- Risk of defaulting payment.

In general, it is expected that professional advice will be sought before transacting in “grandfathered” investments. This policy does not presume disposal; however, the removal of an asset from the Minister’s Order would warrant a review of its suitability for retention.

Reporting and Review

Council will maintain a separate record of money it has invested under section 625 of the *Local Government Act 1993*, in accordance with the criteria defined by the *Local Government Code of Accounting Practice and Financial Reporting*.

A monthly investments report will be provided to Council. The report will detail the investment portfolio in terms of holdings by maturity, reconciliation of movements by Financial Statements Note 6 category returns generated for the portfolio compared to the AusBond Bank Bill Index, and comparison with the budget. The monthly report will also confirm compliance of Council’s investments within legislative and policy limits.

In accordance with the Local Government Code of Accounting Practice & Financial Reporting, Council will undertake at least an annual review of its Investment Policy and Investment Strategy.

If there are any significant changes to the Act, regulations, issued guidelines, or if the market changes to a degree that warrants an earlier examination, the Policy and/or Strategy will be reviewed and brought back to Council for its consideration.

Audit oversight

Council’s external auditors will review Council’s investments as part of the Annual Financial Reports. This includes seeking independent certification from the relevant financial institutions (banks, fund managers, etc.) to confirm the balance of investments held on Council’s behalf at the end of the financial year, and the adequacy of their internal control procedures.

Council’s Internal Audit unit will also periodically review the adequacy of the Investment Policy, Strategy and management’s internal controls as part of its audit review program.

Investment criteria

This section sets out the criteria for investments to be considered for inclusion within Council’s portfolio. In particular, it defines the mandatory investment criteria which all investments must satisfy.

Current investment regulations require Councils to invest with governments, NSW Treasury Corporation (NSW TCorp and NSW TCorpIM) or in specified investments with Approved Deposit-taking Institutions (ADI) such as Australian banks or branches of foreign owned banks, credit unions and/or building societies as it acknowledges the additional assurance that arises from their regulation by the Australian Prudential Regulation Authority (APRA).

Mandatory investment criteria**Scope**

Investments must comply with the legislative authorities as described in the Legislative Authority for Investments paragraph of this policy.

Currency

Investments must be denominated in Australian Dollars.

Ownership

Investments must be held in the name of Dubbo Regional Council. This includes beneficial ownership, where invested through a custodian.

Credit rating

Investments must have a credit rating. The credit rating structure of the total portfolio must comply with the following table:

Long Term Rating Range (or Moody's equivalent)	Maximum Holding	Exposure to a single Institution
AAA Category ¹	100%	40%
AA Category or Major Bank* ²	100%	30%
A Category	50%	20%
BBB+	25%	10%
Lower Rated, or Unrated	0%	0%

*For the purpose of this Policy, "Major Banks" are currently defined as:

The ADI deposits or senior guaranteed principal and interest ADI securities issued by the major Australian banking groups:

- Australia and New Zealand Banking Group Limited
- Commonwealth Bank of Australia
- National Australia Bank Limited
- Westpac Banking Corporation

including ADI subsidiaries whether or not explicitly guaranteed, and brands (such as St George).

Credit ratings apply to both products and institutions. However, this policy requires the rating applicable to the institution responsible for the product (e.g. guarantor) to be taken as the relevant rating given this represents the underlying risk to Council.

¹ AAA Category includes NSW *TCorpIM Cash Fund*, which typically maintains a credit score consistent with an AAA^f rating.

² AA Category includes NSW *TCorpIM Short Term Income Fund*, which typically maintains a credit score consistent with an AA^f rating.

- Credit ratings must be monitored regularly by Finance staff to ensure ongoing compliance. Investments with credit ratings downgraded to an extent that they no longer comply will be divested as soon as practicable, in accordance with the grandfathering provisions of this policy.
- Credit risk investment parameters are based on credit rating bands as published by the credit rating agencies (*e.g.* S&P, Moody's and Fitch). During "split ratings" (different agencies assigning different rating bands), existing investments are assessed at the highest rating, but new investments must be tested against the lower rating.

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.
- Credit Risk – The risk that a party or guarantor to a transaction will fail to fulfil its obligations. In the context of this document it relates to the risk of loss due to the failure of an institution/entity with which an investment is held to pay the interest and/or repay the principal of an investment;
- Diversification – the requirement to place investments in a broad range of products so as not to be over exposed to a particular sector of the investment market;
- Liquidity Risk – the risk an institution runs out of cash, is unable to redeem investments at a fair price within a timely period, and thereby Council incurs additional costs (or in the worst case is unable to execute its spending plans);
- Market Risk – the risk that fair value or future cash flows will fluctuate due to changes in market prices, or benchmark returns will unexpectedly overtake the investment's return;
- Maturity Risk – the risk relating to the length of term to maturity of the investment. The longer the term, the greater the length of exposure and risk to market volatilities; and
- Rollover Risk – the risk that income will not meet expectations or budgeted requirement because interest rates are lower than expected in future.

Safe Custody Arrangements

Where necessary, investments may be held in safe custody on Council's behalf, as long as the following criteria are met:

- Council must retain beneficial ownership of all investments;
- Adequate documentation is provided, verifying the existence of the investments at inception, in regular statements and for audit;
- The Custodian conducts regular reconciliation of records with relevant registries and/or clearing systems; and
- The Institution or Custodian recording and holding the assets will be:
 - The Custodian nominated by NSW TCorp for TCorpIM Funds;
 - Austraclear;
 - An institution with an investment grade Standard and Poor's, Moody's or Fitch rating; or

- An institution with adequate insurance, including professional indemnity insurance and other insurances considered prudent and appropriate to cover its liabilities under any agreement.

Investment Horizon Limits

Council's investment portfolio shall be structured around the time horizon of investment to ensure that liquidity and income requirements are met. "Horizon" represents the intended minimum term of the investment.

Once the primary aim of liquidity is met, Council will ordinarily diversify its maturity profile as this will ordinarily be a low-risk method of obtaining additional return as well as reducing the risks to Council's income. However, Council always retains the flexibility to invest as short as required by cashflow requirements or the economic outlook.

The factors and/or information used by Council to determine minimum allocations to the shorter durations include:

- Council's liquidity requirements to cover both regular payments as well as sufficient buffer to cover reasonably foreseeable contingencies;
- Medium term financial plans and major capital expenditure forecasts;
- Known grants, asset sales or similar one-off inflows;
- Seasonal patterns to Council's surplus funds.

Investment Horizon Description	Investment Horizon - Maturity Date	Minimum Allocation	Maximum Allocation
Working capital funds	0-3 months	10%	100%
Short term funds	3-12 months	20%	100%
Short-Medium term funds	1-2 years	0%	70%
Medium term funds	2-5 years	0%	50%
Long term funds	5-10 years	0%	25%

Within these broad ranges, Council relies upon assumptions of expected investment returns and market conditions that have been examined with its investment advisor.

Environmentally and Socially Responsible Investments

Council will consider the purpose of an investment opportunity in terms of environmental and social outcomes when investing funds where the investment return is favourable relative to alternate investment opportunities.

Subject to compliance with legislation and investment policy objectives and parameters, Council will consider investment securities and financial institutions that meet our socially responsible investments (SRI) criteria. SRI status may be in respect of the individual investment, the issuer of

the investment, or both and should be endorsed by an accredited environmentally and socially responsible industry body or institution.

Environmentally and Socially Responsible Investments will be assessed on the same basis as other investment opportunities and the Council will select the investment that best meets its overall investment selection criteria.

The Council's criteria relating to an SRI are those which:

- Direct investment towards the socially and environmentally productive activities listed below
- Avoid investment in the socially and environmentally harmful activities listed below. The criteria for SRI are all preferred and not mandatory requirements.

Environmentally productive activities are considered to be:

- Resource efficiency-especially water and energy
- Renewable energy
- Production of environmentally friendly products
- Recycling, and waste and emissions reduction

Socially productive activities are considered to be:

- Fair trade and provision of a living wage
- Human health and aged care
- Equal opportunity employers, and those that support the values of communities, indigenous peoples and minorities
- Provision of housing, especially affordable housing

Environmentally harmful activities are considered to be:

- Production of pollutants, toxins and greenhouse gases (coal, oil and gas)
- Habitat destruction, especially destruction of forests and marine eco-systems.
- Nuclear power
- Uranium mining

Socially harmful activities are considered to be:

- Abuse of Human Rights and Labour Rights
- Involvement in bribery/corruption
- Production or supply of armaments
- Manufacture of alcohol, tobacco or gambling products

Council will advocate for the further development of SRI options through engagement with financial institutions.

Investment Advisor

The Council's investment advisor is appointed by the Chief Executive Officer and must be licensed by the Australian Securities and Investment Commission. The advisor must be independent and must confirm in writing that they have 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 the investment policy. 'Independence' includes receiving no commissions or other benefits in relation to the investments being recommended or reviewed,

unless such remuneration is rebated 100% to Council, promptly. Council will make all decisions in relation to the placement of investments.

Appendix 1

Term	Definition
Act	<i>Local Government Act, 1993</i>
ADI	Authorised Deposit-Taking Institutions (ADIs) are corporations that are authorised under the Banking Act 1959 (Commonwealth) to take deposits from customers.
AusBond BBI	Formerly the UBS BBI. The UBS Australia index family was acquired by Bloomberg from Q3 2014, and while branding changed the benchmark is unaltered. The Bank Bill Index represents the performance of a notional rolling parcel of bills averaging 45 days and is the widely used benchmark for local councils and other institutional cash investments.
Bill of Exchange	A bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer. These can be underwritten by banks, to become “bank bills” on which the benchmark return is calculated.
BBSW	The Bank Bill Swap reference rate (BBSW) is the midpoint of the nationally observed best bid and offer for AFMA Prime Bank eligible securities. The BBSW is calculated daily. Floating rate securities are most commonly reset quarterly to the 90-day BBSW
Council Funds	Surplus monies that are invested by Council in accordance with section 625 of the Act
Debenture	A debenture is a document evidencing an acknowledgement of a debt, which a company has created for the purposes of raising capital. Debentures are issued by companies in return for medium and long-term investment of funds by lenders.
FRN	A Floating Rate Note (FRN) is a medium to long term fixed interest investment where the coupon is a fixed margin (“coupon margin”) over a benchmark, also described as a “floating rate”. The benchmark is usually the BBSW and is reset at regular intervals – most commonly quarterly.
Chief Executive Officer	Refers to the statutory executive of the Council as defined in s335 of the Act, including where on an Interim or Acting basis, and under any alternative titles.
TCorp	New South Wales Treasury Corporation (NSW TCorp) including the TCorp Investment Management arm which manages the TCorpIM funds (formerly Hour-glass).

DUBBO REGIONAL COUNCIL
INVESTMENT STRATEGY



Investment Strategy

Purpose

The annual 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 to medium term to:

- achieve a balanced and diversified portfolio, in terms of allowable investment products, credit ratings and maturation terms that will outperform the benchmark indices
- ensure liquidity when required for Council's operational and capital expenditure needs.

This strategy has been prepared in consultation with Andrew Vallner, Managing Director at CPG Research & Advisory.

Scope

The *Investment Strategy* applies to all managers and employees who actively manage the investment of surplus funds or have responsibility for employees who actively manage the investment of surplus funds.

This strategy should be read in conjunction with the *Investment Policy*.

Effective Date

This document replaces any previous Strategy document approved by Council. The effective date of this Strategy is 11 March 2019 and will be reviewed annually in March each year or when a change in either regulation or market conditions necessitates a review.

Context

Council's investment strategy is determined after taking into consideration a review of the following issues:

- global and domestic economic investment environments
- investment policy and legislative constraints
- current composition of Council's investment portfolio
- long, medium and short term financial plans.

Global and domestic investment environments

Financial and investment environments, both globally and domestically, continue to improve at different rates across various regions. The global financial recovery process has been aided by a more standardised international regulatory process with more stringent capital adequacy requirements for financial institutions.

In Australia, a history of prudential regulation of the financial institutions by the Australian Prudential Regulation Authority (APRA) and the prior regulation by the Reserve Bank of Australia (RBA) has meant that Australian based regulated financial institutions have already operated for an extended period under stringent capital adequacy and liquidity requirements. Council's investments all fall under APRA regulation with the result that the portfolio is conservative and secure.

Interest rates have remained low - while they have normalised in the US in 2018, the market expects further record lows in Australia.

Legislative environment

Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister or the Office of Local Government.

There has been no change to the investment legislative environment for a number of years and the most recent Ministerial Investment Order released in January 2011 continues to limit Council's investment options to:

- term and at-call deposits with Approved Deposit-taking Institutions (ADIs)
- other ADI senior ranked securities
- investments with NSW Treasury Corporation including their investment management division (TCorp and TCorpIM)
- funds or securities issued or guaranteed by the Commonwealth or any State or Territory.

Composition of Council's investment portfolio

The conservative nature of Council's Investment Strategy is clearly reflected in the structure of the portfolio, where 100% of the portfolio is invested with APRA-regulated ADIs.

Council's current portfolio is as follows (as at the end of February 2019):

Investment	Split
Big Four banks	78%
Australian mid-tier banks	22%
Foreign controlled Australian based ADIs	0%
Total APRA-regulated ADIs	100%

Investment strategy

Council's investment portfolio will continue to be prudently managed in accordance with:

- Council's *Investment Policy* and related legislative and regulatory requirements,
- documented risk management procedures to preserve capital; and
- Council's operational and capital funding requirements.

Objectives

Council's investment strategy for the period is to maintain the highly secure profile of the portfolio, provide liquidity and deliver competitive investment returns commensurate with the portfolio structure.

Risk profile

The risk profile for the Council's investment portfolio is based on the principles of being prudent, conservative and risk averse. This is achieved by managing the diversity and creditworthiness of investments in accordance with the Investment Policy and other relevant requirements.

Council's capital funding requirements will continue to increase over the next few years, with Council anticipates the following major capital expenditure in 2019:

- Community & Recreation \$33M
- Airport \$22M
- Stormwater \$4M
- Water Augmentation & Asset Renewal \$6M
- Sewage Augmentation & Asset Renewal \$8M
- Road Network \$19M
- Property Development 4M
- Fire and Emergency \$2M

These projects are being funded from either grants or restricted assets and impact on the overall cash available for investment. As a result, the maturity profile of the investment portfolio has become more concentrated in the short and medium term.

As a consequence, the proportion of longer dated floating rate notes in the portfolio is reducing while the proportion of short to medium dated term deposits and floating rate notes are increasing. All of these investments are with APRA regulated financial institutions so that credit risk remains minimal. The maturity profile of the investments is adequately spread over those periods to ensure that liquidity and maturity risks are also kept to a minimum.

Liquidity / Maturity

The majority of Council's cash and investments portfolio is held as internally restricted and externally restricted cash reserves to satisfy the Council's legislative responsibilities and to set aside specific funds for Council's funding commitments to the major initiatives within the Dubbo 2040 Community Strategic Plan.

There are presently increased demands for funding of capital projects with the result that within the maturity profile of the investment portfolio there is a responsive shift of funds from the longer term to the short and medium terms. This could also be accommodated by a transition to a liquid securities portfolio.

To ensure Council has available funds to meet both these commitments and its short-term operational and capital cash commitments, the following liquidity targets are set in accordance with the *Investment Policy*.

Investment Horizon Description	Investment Horizon - Maturity Date	Minimum Allocation	Maximum Allocation
Working capital funds	0-3 months	10%	100%
Short term funds	3-12 months	20%	100%
Short-Medium term funds	1-2 years	0%	70%
Medium term funds	2-5 years	0%	50%
Long term funds	5-10 years	0%	25%

Council's liquidity will be monitored on an ongoing basis to ensure cash requirements are met and that liquidity parameters remain within allowable limits set out in the *Investment Policy*. Horizons reflect legal maturity, or such other expected holding period as adopted in a *Strategy*.

Return / Income

The Strategy throughout the past few years has been to prioritise long-dated deposits ahead of significant cuts to interest rates. This was justified by further RBA rate cuts over 2015 and 2016. Interest rates have now been stable for a record 30 months. Council's duration has carried interest receipts through this period, and the cash portfolio earns around twice the official rate.

Income risk has been mitigated at no cost - indeed, the higher yields available from long-dated deposits have been an added benefit to returns. It is no longer clear that this will be true in future. Long duration deposits are unlikely to produce less than benchmark given the ~1% additional spread, but the yield curve is now inverse and already factoring in new rate cuts.

Currently, credit rating is no longer a portfolio stress. Downgrades of two major issuers to BBB by S&P and Moody's created temporary overweights. Council's current allocation in that space increased initially, but maturities and portfolio growth have addressed that comfortably. If anything, rating outlook may be positive due to the upgrade in Australia's sovereign Outlook, as well as proposed capital raisings.

As at February, Council's deposits yielded 2.98% p.a., an excellent result – this is consistent with much longer maturity profiles, and lower credit quality in today's market. It is around as high as any deposit of any term now available.

To maximise performance, the intention is to pursue the following actions during this strategy period (subject to conditions broadly outlined in this document).

New Investments

- **Ratings:** Are less of a priority, as Council now has the most capacity for some years. This is best directed to FRNs paying above benchmark +100bp at shorter durations.
- **Cash:** Sourcing high yielding at-call accounts or cash notice accounts, checked against existing accounts or fixed rates. At time of writing, a spike in the bank bill rate has seen higher notice account yields.
- **Deposits:** Short-term investments (3-12 months) will most likely continue to be invested into fixed term deposits. Some A or AA banks offer rates that appear attractive relative to interest rate outlook at the shorter terms and broker specials can assist with securing retail pricing.
- **Floating Rate Notes:** For additional funds excess to liquidity requirements medium-term (3-5 years) liquid FRNs going forward. Council will work towards maintaining a portion of investments in the medium-term allocation, primarily FRNs in the near term.

The ability to transact quickly is important for new issues. To support this, Council has the ability to utilise existing at-call reserves (to be replenished from subsequent deposit maturities).

Environmentally and Socially Responsible Investments

Council will continue to explore opportunities for supporting environmentally and socially responsible investments. Council will continue to encourage and give preference to these investments, where they comply with the Ministerial Investment Order and satisfy Council's policy and investment objectives.

References

Laws and standards

- Local Government Act 1993
- Local Government (General) Regulation 2004
- Ministerial Investment Order
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards
- Office of Local Government Circulars

Policies and procedures

- Investment Policy