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Created by Rebecca Crossley **Last Updated** 27/07/2010

Precis: Finance-Investment Policy

Responsible Officer: Policy Coordinator

Document:

TITLE:	Investment Policy
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POSITION RESPONSIBLE:	Financial & Administrative Services Manager
RELEVANT LEGISLATION:	Local Government Act 1993 Local Government (General) Regulation 2005
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DATE LAST AMENDED/REVIEWED:	

Investment and Management of Council Funds

1. Objective

- 1.1. To undertake authorised investment of surplus funds not required to meet commitments after consideration of credit risk and diversification limits as set out in this policy.
- 1.2. To maximise earnings from authorised investments and ensure the security of Council Funds.
- 1.3. To ensure the availability of sufficient funds to meet Councils ongoing commitments for salary, wages, loan repayments, contract payments and general payments and limit usage of the overdraft facility.
- 1.4. To meet obligations under Council's Charter as the custodian and trustee of public

assets and to effectively account for and manage those assets for which it is responsible.

2. Authority for Investment

All investments are to be made in accordance with the:

- Local Government Act 1993 – Section 625 (Attachment A);
- Order (of the Minister) dated 15 July 2005 (Attachment B);
- Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14A(2), 14C(1) & (2);
- Local Government (General) Regulation 2005 – Clause 212 (Attachment A).

3. Delegation of Authority

The General Manager, Director of Corporate & Regulatory Services, Financial & Administrative Services Manager, Management Accountant and Senior Finance Officer have authority to invest surplus funds in accordance with this policy.

4. Policy Statement

4.1. Quotations on Investments (Direct Investment)

Not less than three (3) quotations shall be obtained from authorised institutions when an investment is proposed. Investments are to be placed so as to provide the best advantage to Council taking into account maximising interest earned, securing support for loan borrowings and to maintain a satisfactory relationship with financial institutions.

4.2. Term to Maturity

The term to maturity of any of Council's investments must not exceed five (5) years and are to be determined by a fund manager (if applicable) or by the Council officers listed under delegated authority.

4.3. Authorised Investments

All investments must be denominated in Australian Dollars. Authorised investments would include but not necessarily be limited to:

- Local/State/Commonwealth Government Bonds, Debentures or Securities;
- Managed funds (securities) issued by a fund manager (or its ultimate parent company), who has a minimum long term credit rating of "A" (Standard & Poor's Australian Rating) or better;
- Deposits in prescribed securities that either have a minimum long term credit rating of "A" or short term rating of "A1" from Standard & Poor's;
- Interest bearing deposits/securities issued by a licensed bank, building society or credit union;

- Investments with NSW Treasury Corporation/Hourglass Investment Facility; and
- Deposits with the Local Government Investment Service (LGIS).

4.4. Investments with Funds Managers

Council may deposit funds with an approved fund manager, provided the fund manager reinvests (so that Council retains beneficial ownership) in a security authorised by Section 625 of the Local Government Act 1993. The total amount invested with any one fund manager should not exceed 40% of the average annual funds invested by Council.

4.5. Diversification/Credit Risk

4.5.1 Portfolio Credit Framework

To limit overall credit exposure of the portfolio the maximum limits in each rating category are as follows:

Overall Portfolio Credit Limits			
Long Term Credit Rating	Short Term Credit Rating	Direct Securities Maximum	Managed Funds Maximum
AAA Category	A1+	100%	100%
AA Category	A1	100%	100%
A Category	A-2 *	60%	80%
BBB Category *	A-3 *	20%	n/a
Unrated Category *	Unrated *	15%	n/a

* Investments with counterparties below A Category (Long Term) and below A-1 (Short Term) are to be restricted to Authorised Deposit Taking Institutions (such as banks, building societies and credit unions) regulated by, and subject to the prudential standards of, the Australian Prudential Regulation Authority (APRA).

4.5.2 Counterparty/Institution Credit Framework

Exposure to individual counterparties/financial institutions will be restricted by their credit rating so that single entity exposure is limited, with the maximum exposures detailed as follows:

Individual Institution Limits			
Long Term Credit Rating	Short Term Credit Rating	Direct Securities Maximum	Managed Funds Maximum
AAA Category	A1+	25%	40%
AA Category	A1	20%	40%
A Category	A-2 *	20%	20%
BBB Category *	A-3 *	15%	n/a
Unrated Category *	Unrated *	15%	n/a

* Investments with counterparties below A Category (Long Term) and below A-1 (Short Term) are to be restricted to Authorised Deposit Taking Institutions.

4.6. Performance Benchmarks

Investment	Performance Benchmark
Cash	11am Cash Rate
Cash Enhanced / Direct Investment	BBSW (Bank Bill Index)
Fixed Interest	BBSW (Bank Bill Index)

4.7. Reporting

A monthly report is to be provided to Council in accordance with Clause 212 of the Local Government (General) Regulation 2005, detailing the investment portfolio in terms of performance, counter party percentage of total portfolio and investment interest earned year to date.

For audit purposes, certificates must be obtained from the banks/fund managers/custodians confirming the amounts of investment held on Councils behalf at 30 June each year.

4.8. Accounting for Premiums and Discounts

From time to time financial assets may be acquired at a discount or premium to their face value (for example Government Bonds, Floating Rate Securities or Collateralised Debt Obligations). Any such discount or premium is to be taken into account in accordance with the applicable Australian Equivalent International Accounting Standard.

4.9. Credit Ratings

If any of Council's investments are downgraded such that they no longer fall within these investment policy guidelines, they will divested within 30 days or as soon as is practicable.