



Council Investment Policy

POLICY OBJECTIVE

The purpose of this policy is to establish the investment guidelines that Council adopts in investing its surplus funds.

LEGISLATIVE PROVISIONS

All investments are to be made in accordance with:

- *Local Government Act 1993*
- *Local Government (General) Regulation 2005*
- *Local Government Code of Accounting Practice* and Financial Reporting
- Ministerial Investment Order
- Australian Accounting Standards
- Office of Local Government Circulars

POLICY STATEMENT

Authorisation

The General Manager has authority to invest surplus funds and may delegate this function to the Director Business Services and/or other Finance staff.

Variation to Policy

The General Manager or delegated representative is authorised to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation.

Authorised Investments

All investments must be denominated in Australian Dollars. Authorised Investments are limited to:

- Local/State/Commonwealth Government Bonds, Debentures or Securities;
- Interest bearing deposits/ securities issued by a licensed bank, building society or credit union (which, for new investments, must be senior / first-ranking);
- Investments with NSW Treasury Corp/Hourglass Investment Facility
- Other Investments Authorised under the "Minister's Order" current at the time.

Existing investments that comply with the previous Minister's Order and are eligible for transitional arrangements under the current Minister's Order can be held until it is viable to sell these products.

The percentage limits in the following tables refer to percentages of the total portfolio. These do not include any investments taken up under the previous Minister's Order and included in the transitional arrangements.

Investment Guidelines – Asset Allocation, Credit Quality and Term to Maturity Constraints

Asset Allocation Ranges

Asset Class/ Type	Includes	Min	Max
Cash	Cheque, At Call and Term Deposits Accounts	60%	100%
Fixed Rate Debt	Senior Bank Debt Notes	0%	50%
Short or Floating Rate Debt	Senior Bank Debt Notes	0%	50%

Credit Quality

Due to significant developments in the range and complexity of available investments, credit ratings cannot be considered a consistent indicator of risk across different investment types. A cash based managed fund or bank deposit with a credit rating of AA does not have the same risk profile as a structured investment with a AA rating.

In order to provide a more effective risk management framework therefore, this Policy sets different exposure and duration limits for different categories of investment.

(A) Open-Ended Managed Funds

Fund Type	Maximum Percentage of Portfolio	Minimum Recommended Investment Horizon
HourGlass Cash	50%	0 – 3 Months
HourGlass Strategic Cash	50%	3 – 6 Months

(B) “Class A Investments”

Class A securities are defined as securities for which an institution with a rating A-2 short term. For Class A securities, the following table applies:

Long Term Ratings (S & P)	Short Term Rating (S & P)	Maximum Percentage With One Financial Institution	Maximum Percentage by Credit Rating	Maximum Duration (Years)
AA+ to AA-	A1+	25%	100%	5
A+ to A-	A1	15%	75%	5
BBB+ to BBB-	A2	10%	60%	5

(C) “Class B Investments”

Class B Investments are defined as an investment (other than an Open-Ended Managed Fund) not meeting the criteria of Class A investments. This may be due to one or more of the following criteria:

- A market-linked return component
- Unrated interest or coupon
- Issue by an unrated entity

Council will limit these investments to Term Deposits with licensed banks, building societies and credit unions which must not exceed 60 per cent of the portfolio in total with no more than \$1,000,000 being invested in any one institution.

(D) Term-to-maturity Framework for the Portfolio

The investment portfolio is to be invested with the following term to maturity constraints.

Overall Portfolio Term to Maturity Limits	
	Maximum
Portfolio % At Call	100%
Portfolio % > At Call < 3 Months	90%
Portfolio % > 3 Months < 1 Year	80%
Portfolio % > 1 Year < 3 Years	30%
Portfolio % > 3 Years < 5 Years	30%
Portfolio % > 5 Years	0%

Performance Benchmarks

Investment	Performance Benchmark
Cash	11am Cash Rate
Cash Enhanced / Direct Investments	UBSA Bank Bill Index
Fixed Interest	UBSA Composite Bond Index
Diversified Investments	UBSA Bank Bill Index + relevant margin
Sector Investments	UBSA Bank Bill Index + relevant margin

Safe Custody Arrangements

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

- A Safe Custody agreement is in place setting out the obligations of the custodian
- Council retains beneficial ownership of all investments
- Adequate documentation is provided verifying the existence of the investments
- The Custodian conducts regular reconciliation of records with relevant registries and/or clearing systems
- The Custodian has an AFS Licence issued by ASIC that explicitly covers custodial services
- The Institution or Custodian recording and holding the assets will be:
 - Austraclear or;
 - An institution with an investment grade Standards and Poor's or Moody's credit 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

Quotations on Investments

Not less than three 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 policy guidelines set down including diversification, credit risk and term mix of the portfolio.

These quotations will be documented and will be recorded in the investment register.



Version	Council Meeting Date	Resolution	Adoption Date	Effective From
1	16 December 2008	08/800	16 December 2008	16 December 2008
2	21 May 2013	13/179	21 May 2013	5 July 2013
3	19 August 2014	14/336	4 October 2014	4 October 2014
4	16 May 2017	17/159	16 May 2017	16 June 2017
All policies can be reviewed or revoked by resolution of Council at anytime				

DIRECTORATE: Business Services

BUSINESS UNIT: Finance