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Cash Investment Policy

Document Version Control

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Change History

Version	Review Date	Author	Reason for Change
1.0	07 May 2021	Finance	Document moved to align with Council's new policy templates
1.1	26 Oct 2021	Finance	Endorsed by Council

1. Scope

This policy applies decisions by Council and Council staff about the investment and divestment of City of Ryde cash assets in accordance with legislation.

2. Purpose

To provide investment principles and set risk tolerances for Councils funds to be invested.

This policy also outlines Council's position in divesting from fossil fuel aligned financial institutions to those financial institutions that are not aligned with the fossil fuel industry. It also seeks to direct environmentally sustainable and socially responsible investments.

3. Investment Principles and Risk Tolerances

The following principles and risks are required to be considered to ensure Councils financial position is optimised for highest and best outcomes:

Preservation of Capital and Rate of Return

The preservation of capital is the principal objective of this policy. Investments are to be placed in a manner that ensures security and safeguarding the investment portfolio. Funds are to be invested at the most favourable rate of interest available at the time, whilst having due consideration for the preservation of capital and the other parameters outlined below (including Non-Fossil Fuel divestment provisions within this policy).

Liquidity

The term of an investment should be made to ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements without incurring significant costs due to the unanticipated sale of an investment.

Legislative compliance

Investments are to be made in accordance with the Local Government Act 1993, Local Government Regulations 2005 and to the most current Ministerial Investment Order that has been issued by the NSW Minister for Local Government (refer Schedule 1). All investments must be denominated in Australian Dollars.

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Institutional Limitations

Notwithstanding the limitations set under the Counterparty/Institution framework below, the following limitations will also apply:

- Council will not invest with any ADI that is an Australian subsidiary of a foreign owned bank.
- All ADIs which are utilised by Council are to comply with prevailing Total Capital Adequacy Ratio requirements as defined by the Basel Committee and monitored by APRA.

Overall Portfolio Limits

To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

S&P Long Term Rating*	Maximum %
AAA/AA	100%
A	70%
BBB+	35%
BBB	15%
BBB- or unrated	0%

* Or Moody's / Fitch equivalents

Counterparty/Institution Credit Framework

Exposure to an individual counterparty/institution will be restricted by their credit rating so that single entity exposure is limited, as detailed in the table below:

S&P Long Term Rating*	Maximum %
AAA/AA	50%
A	40%
BBB+	10%
BBB	5%
BBB- or unrated	0%

Term to Maturity Framework

The investment portfolio is to be invested within the following maturing constraints:

Overall Portfolio Return to Maturity		
Portfolio % <1 year	Min 35%	Max 100%
Portfolio % >1 year and <3 years	Min 0%	Max 60%
Portfolio % >3 years	Min 0%	Max 30%

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4. Preference for Non-Fossil Fuel ADIs and Environmentally Sustainable and Socially Responsible Investments

From the implementation of this policy, consideration of non-Fossil Fuel institutions will be required. Where funds placed in fossil fuel aligned investments mature, they are to be invested at the most favourable rate of interest available at the time (taking into consideration the investment principles and tolerances of this policy). Preference will be given to non-fossil fuel aligned institutions, environmentally sustainable term deposits from the major financial institutions and environmentally sustainable and socially responsible investments where the interest rate is the most favourable rate of interest available at the time of placing the investment.

Funds that have already been invested with a non-fossil fuel aligned financial institutions, are only to be reinvested with non-fossil Fuel aligned institutions upon maturity at the most favourable rate of interest available at the time.

5. Reporting

Council's Responsible Accounting Officer is required to report monthly on Council's Cash Investment Portfolio and certify that the investments are held in accordance with this policy and Section 625 of the Local Government Act.

In reporting the performance of the Cash Investment Portfolio, the return is to be measured against the UBS Warburg 90 Day Bank Bill Index.

6. Grandfathering Provisions

Any investments that were invested prior to the adoption of this version of the Cash Investment policy will be grandfathered until maturity unless a financial gain to be made by Council in redeeming the investment prior to maturity or otherwise advised by Councils Investment advisors. Once an investment matures, it will be required to be invested in accordance with this policy.

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7. References and Legislation

All investments are required to comply with the following:

- Local Government Act 1993
- Local Government Act 1993 – Order (of the Minister) Circular No: 11/01 gazetted on 17 February 2011, or most current.
- The Trustee Amendment (Discretionary Investments) Act 19
- 97 – Sections 14A(2), 14C(1) & (2); and
- Local Government (General) Regulation 2005

8. Review Process and Endorsement

This Policy should be reviewed annually or as required in the event of legislative change by Council. Any amendment to the Policy must be by way of Council resolution.

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APPENDIX 1



Circular No. 10-35
Date 17 February 2011
Doc ID. A232163

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REVISED MINISTERIAL INVESTMENT ORDER

A revised Investment Order pursuant to section 625 of the *Local Government Act 1993* has been issued. The Minister for Local Government signed the revised Order on 12 January 2011 and it was published in the NSW Government Gazette on 11 February 2011. It replaces the Order dated 31 July 2008. The revised Order is attached to this circular.

Changes to the Investment Order include:

- the removal of the ability to invest in the mortgage of land (part (c) of the Investment Order dated 31 July 2008)
- the removal of the ability to make a deposit with the Local Government Financial Services Pty Ltd (part (f) of the order dated 31 July 2008)
- the addition of "Key Considerations" in the revised Investment Order, which includes a comment that a council's General Manager, or any other staff, with delegated authority by a council to invest in funds on behalf of the council must do so in accordance with the council's adopted investment policy.

Councils are reminded that on 25 May 2010 the Division of Local Government issued Investment Policy Guidelines (Circular to Councils 10-11 refers). It is expected that all councils will by now have adopted an Investment Policy in accordance with the Guidelines.



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LOCAL GOVERNMENT ACT 1993 – INVESTMENT ORDER

(Relating to investments by councils)

I, the Hon. Barbara Perry MP, Minister for Local Government, in pursuance of section 625(2) of the *Local Government Act 1993* and with the approval of the Treasurer, do, by this my Order, notify for the purposes of section 625 of that Act that a council or county council may only invest money (on the basis that all investments must be denominated in Australian Dollars) in the following forms of investment:

- (a) any public funds or securities issued by or guaranteed by, the Commonwealth, any State of the Commonwealth or a Territory;
- (b) any debentures or securities issued by a council (within the meaning of the *Local Government Act 1993* (NSW));
- (c) interest bearing deposits with, or any debentures or bonds issued by, an authorised deposit-taking institution (as defined in the *Banking Act 1959* (Cwth)), but excluding subordinated debt obligations;
- (d) any bill of exchange which has a maturity date of not more than 200 days; and if purchased for value confers on the holder in due course a right of recourse against a bank which has been designated as an authorised deposit-taking institution by the Australian Prudential Regulation Authority;
- (e) a deposit with the New South Wales Treasury Corporation or investments in an Hour-Glass investment facility of the New South Wales Treasury Corporation;

All investment instruments (excluding short term discount instruments) referred to above include both principal and investment income.

Transitional Arrangements

- (i) Subject to paragraph (ii) nothing in this Order affects any investment made before the date of this Order which was made in compliance with the previous Ministerial Orders, and such investments are taken to be in compliance with this Order.
- (ii) Paragraph (i) only applies to those investments made before the date of this Order and does not apply to any restructuring or switching of investments or any re-investment of proceeds received on disposal or maturity of such investments, which for the avoidance of doubt must comply with this Order.

Key Considerations

An investment is not in a form of investment notified by this order unless it also complies with an investment policy of council adopted by a resolution of council.


All councils should by resolution adopt an investment policy that is consistent with this Order and any guidelines issued by the Chief Executive (Local Government), Department of Premier and Cabinet, from time to time.

The General Manager, or any other staff member, with delegated authority by a council to invest funds on behalf of a council must do so in accordance with the council's adopted investment policy.

Councils have a fiduciary responsibility when investing. Councils should exercise the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.

When exercising the power of investment councils should consider, but not be limited by, the risk of capital or income loss or depreciation, the likely income return and the timing of income return, the length of the term of the proposed investment, the liquidity and marketability of the proposed investment, the likelihood of inflation affecting the value of the proposed investment and the costs (including commissions, fees, charges and duties payable) of making the proposed investment.

Dated this 12th day of January 2011


Hon BARBARA PERRY MP
Minister for Local Government