



Investment Policy – Council Policy

Scope

The Investment Policy stipulates the mandatory requirements for the investing of Council's funds in complying with all legislative requirements including the Minister for local Governments Investment Order and requires that all investment activities be exercised with care, diligence and skill of a prudent person and not for speculative purposes.

Purpose

The investment policy provides a framework for the investing of Council's funds at the most favourable rate of interest available to it at the time, whilst having due consideration of risk and security for that investment type and ensuring that its liquidity requirements are being met.

While exercising the power to invest, consideration needs to be given to preservation of capital, liquidity, and the return of investment.

Guidelines / Procedures

The attached Investment Policy Guidelines detail how the Investment Policy is to be implemented and incorporates Council's principal objectives for investing, the legislative requirements in investing, who is authorised to make investments, approved investments under the Minister's Order, Council's Investment Advisor, the use of the risk management framework to be adopted when assessing investments to measuring, benchmarking and reporting on the performance of Council's Investment Portfolio.

References - Legislation

All investments are required to comply with the following:

- Local Government Act 1993 - Section 412 & 625;
- Local Government Act 1993 – Order (of the Minister) Circular No: 08/48 gazetted on 15 August 2008, or most current.
- The Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14A(2), 14C(1) & (2);
- Local Government (General) Regulation 2005 – Clause 212.

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 Investment policy must be by way of Council resolution.

Attachments

Number	Title	Trim Reference
1.	Investment Policy Guidelines	D10/67125

Investment Policy – Council Policy		
Owner: Finance Unit	Accountability: Investments management	Policy Number: # Provided by Governance
Trim Reference: D10/67126	Review date: July (Annual)	Endorsed: Date and COUNCIL



Investment Policy – Procedure

Related Policy

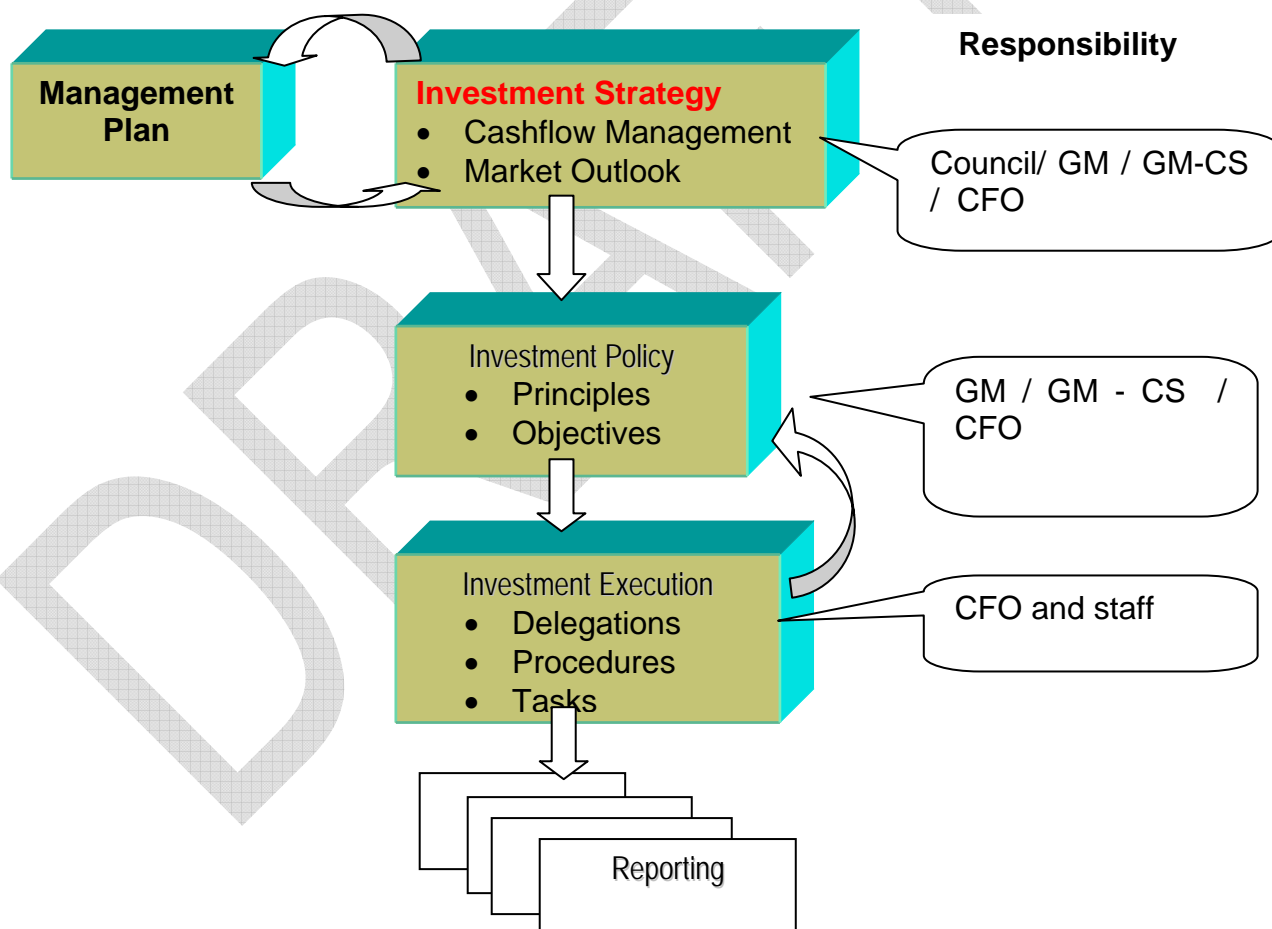
These procedures and guidelines relate to the Investment Policy.

Procedures and Guidelines

INVESTMENT POLICY GUIDELINES

1 Relation of Investment Policy within Council

The following diagram shows how the Investment Policy relates to other policies, plans and strategy within Council.



- * GM – General Manager
- * GM – CS Group Manager, Corporate Services
- * CFO – Chief Financial Officer

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 1 of 13



Investment Policy – Procedure

2 Objectives

To provide a framework for the investing of Council's funds at the most favourable rate of interest available to it at the time, whilst having due consideration of risk and security for that investment type and ensuring that its liquidity requirements are being met.

While exercising the power to invest, consideration needs to be given to preservation of capital, liquidity, and the return of investment.

- (a) Preservation of capital is the principal objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- (b) Investments should be allocated to ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.
- (c) Investments are expected to achieve a market average rate of return inline with Council's risk tolerance.

3 Legislative Requirements

All investments are to comply with the following:

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Extracts are included in Schedule 1.

4 Delegation of Authority to Invest

Authority for implementation of the Investment Policy is delegated by Council to the General Manager in accordance with the Local Government Act 1993.

The General Manager may in turn delegate the day-to-day management of Council's investments to the Responsible Accounting Officer or senior staff, subject to regular reviews.

Officers' delegated authority to manage Council's investments shall be recorded and required to acknowledge they have received a copy of this policy and understand their obligations in this role.

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 2 of 13



Investment Policy – Procedure

The General Manager has delegated to both the Group Manager Corporate Services and the Chief Financial Officer authority to authorise investments up to the value of \$1 million in accordance with Council's Investment Policy subject to prior consultation with the General Manager.

Any proposed investments over \$1 million are reviewed by the Chief Financial Officer and recommended to the Group Manager Corporate Services for endorsement and referral to the General Manager for approval.

5 Prudent Person Standard

The investment portfolio will be managed with the care, diligence and skill that a prudent person would exercise. As trustees of public monies, officers are to manage Council's investment portfolio to safeguard the portfolio in accordance with the spirit of this Investment Policy and not for speculative purposes.

A prudent person is entrusted to act with a duty of care, not as an average person would act but as a wise, cautious and judicious person. Such a person will:

- Have a full understanding of Council's Investment Policy
- Understand the legislative constraints regarding Council's investments
- Actively manage investments by regular market monitoring. Performance of investments is to be reviewed (individually and as a whole portfolio) on a monthly basis. Where necessary, advice and assistance should be sought from professional people with experience in investment markets. Any professional advice obtained must contain a statement by the advisor as to their financial interest in the advice given.
- Review Council's investment strategy, at least annually
- Balance the investment risk/return trade off by not taking an overtly conservative (low risk, low return) stance or overtly risky stance.
- Have a full understanding of Council's investment strategy and its specific requirements for cashflow to meet its obligations and consider this in selecting duration of investments.

6 Ethics and Conflict of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires officers to disclose any conflict of interest to the General Manager.

Independent advisors are also required to declare that they have no actual or perceived conflicts of interest in fulfilling their role to Council.

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 3 of 13



Investment Policy – Procedure

7 Approved Investments

Investments are limited to those allowed by 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.

Authorised Investments include

- Debentures or securities issued by, or guaranteed by, Local, State and Commonwealth governments.
- Interest bearing deposits with, or any debentures or bonds issued by an authorised deposit-taking institution (as defined by the Banking Act 1959 (Cwth)), but excluding subordinated debt obligations.
- 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.
- a deposit with the Local Government Financial Services Pty Ltd
- Investments with the NSW Treasury Corporation
- Investments grandfathered under the previous Ministerial Order.

8 Prohibited Investments

In accordance with the Ministerial Investment Order, this investment policy prohibits but is not limited to any investment carried out for speculative purposes, including;

- 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, forward contracts and swaps of any kind.

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

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 4 of 13



Investment Policy – Procedure

9 Risk Management Guidelines

Investments are expected to achieve a market average rate of return in line with the Council's risk tolerance and 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 (considering the time value of money);
- Diversification – setting limits to the amounts invested with a particular financial institution or government authority to reduce credit risk;
- Credit risk – the risk that a borrowing institution fails to pay the interest and/or repay the principal lent (invested);
- Market risk – the risk that the fair value of future cash flows of an investment will fluctuate due to changes in market prices;
- Liquidity risk – the risk that an investor is unable to redeem the investment at fair price within a timely period;
- 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.

10 Risk Management Framework

Investments obtained are to comply with three key criteria relating to:

- (a) Portfolio Credit Framework: limit overall credit exposure of the portfolio
- (b) Counterparty Credit Framework: limit exposure to individual counterparties/institutions
- (c) Term to Maturity Framework: limits based upon maturity of securities.

(a) 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*	S&P Short Term Rating*	Maximum %
AAA/AA	A-1+	100%
A	A-1	50%
BBB	A-2	25%
Unrated ADIs	Unrated ADIs	15%

* or Moody's / Fitch equivalents

Whilst the Commonwealth Government continues to provide a guarantee for investments up to \$1 million in approved ADIs this investment framework can be exceeded whilst the guarantee is in place.

(b) Counterparty 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:

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 5 of 13



Investment Policy – Procedure

S&P Long Term Rating*	S&P Short Term Rating*	Maximum %
AAA/AA	A-1+	30%
A	A-1	20%
BBB	A-2	15%
Unrated ADIs	Unrated ADIs	10%

* or Moody's / Fitch equivalents

If any of the Council's investments are downgraded such that they no longer fall within the investment policy, they should be divested as soon as practicable.

(c) Term to Maturity Framework

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

Overall Portfolio Return to Maturity		
Portfolio % <1 year	Min 40%	Max 100%
Portfolio % >1 year	Min 0%	Max 60%
Portfolio % >3 year	Min 0%	Max 30%
Portfolio % >5 <7year	Min 0%	Max 15%

The maximum allowable term to maturity for any investment is 7 years.

11 Divestment

If the characteristics of any of Council's investments change with market conditions such that they no-longer fall within these investment policy guidelines, they should be divested as soon as is practical.

12 Investment Advisor

Council's investment advisor must be licensed by the Australian Securities and Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended and is free to recommend the most appropriate product within the terms and conditions of the investment policy.

The independent advisor is required to provide written confirmation that they do not have any or potential conflicts in relation to the investments they are recommending or reviewing, including that they are not receiving any commissions or benefits in relation to the investments being recommended or reviewed.

13 Measurement

The investment return for the portfolio is to be regularly reviewed by the investment advisor by assessing the market value of the portfolio. The market value is to be assessed at least monthly to coincide with monthly reporting.

The investment advisor should meet with the responsible staff and review Council's investment portfolio no less than every six months.

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 6 of 13



Investment Policy – Procedure

14 Benchmarking

The performance of the investment portfolio shall be measured against the UBS Warburg 90 Day Bank Bill Index and/or the Cash Rate.

15 Reporting and Review

Documentary evidence must be held for each investment and details thereof maintained in an investment Register.

The documentary evidence must provide Council legal title to the investment.

Certificates must be obtained from the financial institutions confirming the amounts of investments held on the Council's behalf as at 30 June each year and reconciled to the Investment Register.

All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis.

A monthly report will be provided to Council in support of the monthly statement of activity. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date, changes in market value and investment income versus budget year to date

If a breach of this investment policy occurs, Council will be notified at its next ordinary meeting.

16 Review and Variation to Policy

The Investment Policy will be reviewed at least once a year or as required in the event of legislative changes. The Investment Policy may also be changed as a result of other amendments that are to the advantage of the Council and in the spirit of this policy. Any amendment to the Investment policy must be way of Council resolution.

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 7 of 13



Investment Policy – Procedure

SCHEDULE 1:

Extracts of Legislative Requirements

LOCAL GOVERNMENT ACT 1993 - SECT 412 & 625

Section 412 Accounting Records

- (1) A council must keep such accounting records as are necessary to correctly record and explain its financial transactions and its financial position.
- (2) In particular, a council must keep its accounting records in a manner and form that facilitate:
 - (a) the preparation of financial reports that present fairly its financial position and the results of its operations, and
 - (b) the convenient and proper auditing of those reports.

Section 625 How May Councils Invest?

- (1) A council may invest money that is not, for the time being, required by the council for any other purpose.
- (2) Money may be invested only in a form of investment notified by order of the Minister published in the Gazette.
- (3) An order of the Minister notifying a form of investment for the purposes of this section must not be made without the approval of the Treasurer.
- (4) The acquisition, in accordance with section 358, of a controlling interest in a corporation is not an investment for the purposes of this section.

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 8 of 13



Investment Policy – Procedure



Circular No. 08-48
Date 18 August 2008
Doc ID. A153888

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REVISED MINISTERIAL INVESTMENT ORDER

The recent Review of NSW Local Government Investments ("the Cole Report") investigated the impact on councils that invested in structured financial products. The NSW Government adopted all the recommendations from the report.

The Minister for Local Government has now issued a revised Order pursuant to section 625 of the *Local Government Act 1993*. The Minister signed the amended Order on 31 July 2008 and it was gazetted on Friday 15 August 2008. It replaces the Order dated 15 July 2005. The revised Order is attached to this circular.

The changes to the Order include:

- including both principal and investment income in the definition of investment instruments
- removal of investments with specific credit ratings under items (k) and (l) of the previous Order. This decision will be reviewed after 31 December 2009
- removal of item (g) in the previous Order, which identified purchase of land as a form of investment. This removal does not preclude a council from acquiring land for the purpose of exercising any of its functions (s186(1) *Local Government Act 1993*)
- streamlining the wording around investing in public funds and securities issued by or guaranteed by the Commonwealth or Territory (part (a))
- restricting mortgages over land to first mortgages with a Loan to Value ratio of no greater than 60% (part (c))
- excluding subordinated obligations (part (d))
- improving the wording for investments and bills of exchange with authorised deposit-taking institutions (part (e))
- transitional arrangements regarding existing investments (grandfathering provisions).

The Department is preparing guidelines aimed at assisting councils in developing a comprehensive investment policy. The process will incorporate consultation with stakeholders. The guidelines will include issues raised in the Cole Report relating to conflicts of interest, such as product manufacturers and distributors being appointed as investment advisors, and the fiduciary responsibilities of councils and county councils in relation to investment activities.

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 9 of 13



Investment Policy – Procedure

When considering selling current investments that fall below the requirements of the revised Ministerial Investment Order (see Circular 06-70), councils should exercise due care and diligence. Councils should not solely rely on advice from the issuer of the investment and should seek independent financial advice. An investment adviser or dealer acting on behalf of a council should be licensed by the Australian Securities and Investment Commission (ASIC) (www.asic.gov.au).

Garry Payne AM
Director General

DRAFT

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 10 of 13



Investment Policy – Procedure

LOCAL GOVERNMENT ACT 1993 – INVESTMENT ORDER

(Relating to investments by councils)

I, the Hon. Paul Lynch 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) mortgage of land in any State or Territory of the Commonwealth (restricted to first mortgages over land with a Loan to Value ratio of no greater than 60%);
- (d) 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;
- (e) 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;
- (f) a deposit with the Local Government Financial Services Pty Ltd
- (g) 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 Order dated 15 July 2005, 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.

Dated this 31st day of July

2008

Hon PAUL LYNCH MP

Minister for Local Government

Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 11 of 13



Investment Policy – Procedure

THE TRUSTEE AMENDMENT (DISCRETIONARY INVESTMENTS) ACT 1997 – SECTIONS 14A(2), 14C (1) & (2)

14A (2) Duties of trustee in respect of power of investment

A trustee must, in exercising a power of investment:

- (a) if the trustee's profession, business or employment is or includes acting as a trustee or investing money on behalf of other persons, exercise the care, diligence and skill that a prudent person engaged in that profession, business or employment would exercise in managing the affairs of other persons, or
- (b) if the trustee is not engaged in such a profession, business or employment, exercise the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.

14C Matters to which trustee is to have regard when exercising power of investment

(1) Without limiting the matters that a trustee may take into account when exercising a power of investment, a trustee must, so far as they are appropriate to the circumstances of the trust, if any, have regard to the following matters:

- (a) the purposes of the trust and the needs and circumstances of the beneficiaries,
- (b) the desirability of diversifying trust investments,
- (c) the nature of, and the risk associated with, existing trust investments and other trust property,
- (d) the need to maintain the real value of the capital or income of the trust,
- (e) the risk of capital or income loss or depreciation,
- (f) the potential for capital appreciation,
- (g) the likely income return and the timing of income return,
- (h) the length of the term of the proposed investment,
- (i) the probable duration of the trust,
- (j) the liquidity and marketability of the proposed investment during, and on the determination of, the term of the proposed investment,

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 12 of 13



Investment Policy – Procedure

- (k) the aggregate value of the trust estate,
- (l) the effect of the proposed investment in relation to the tax liability of the trust,
- (m) the likelihood of inflation affecting the value of the proposed investment or other trust property,
- (n) the costs (including commissions, fees, charges and duties payable) of making the proposed investment,
- (o) the results of a review of existing trust investments in accordance with section 14A (4).

(2) A trustee may, having regard to the size and nature of the trust, do either or both of the following:

- (a) obtain and consider independent and impartial advice reasonably required for the investment of trust funds or the management of the investment from a person whom the trustee reasonably believes to be competent to give the advice,
- (b) pay out of trust funds the reasonable costs of obtaining the advice.

LOCAL GOVERNMENT (GENERAL) REGULATION 2005 - CLAUSE 212

212 Reports on council investments

(1) The responsible accounting officer of a council:

- (a) must provide the council with a written report (setting out details of all money that the council has invested under section 625 of the Act) to be presented:
 - i) if only one ordinary meeting of the council is held in a month, at that meeting, or
 - (ii) if more than one such meeting is held in a month, at whichever of those meetings the council by resolution determines, and
- (b) must include in the report a certificate as to whether or not the investment has been made in accordance with the Act, the regulations and the council's investment policies.

(2) The report must be made up to the last day of the month immediately preceding the meeting.

Note. Section 625 of the Act says how a council may invest its surplus funds.

Investment Policy – Procedures and Guidelines		
Owner: Finance Unit	Accountability: Investments management	Issue: Date
Trim Reference: D10/67126	Policy: Investment Policy	Page 13 of 13

Investment Policy Guidelines



City of Ryde

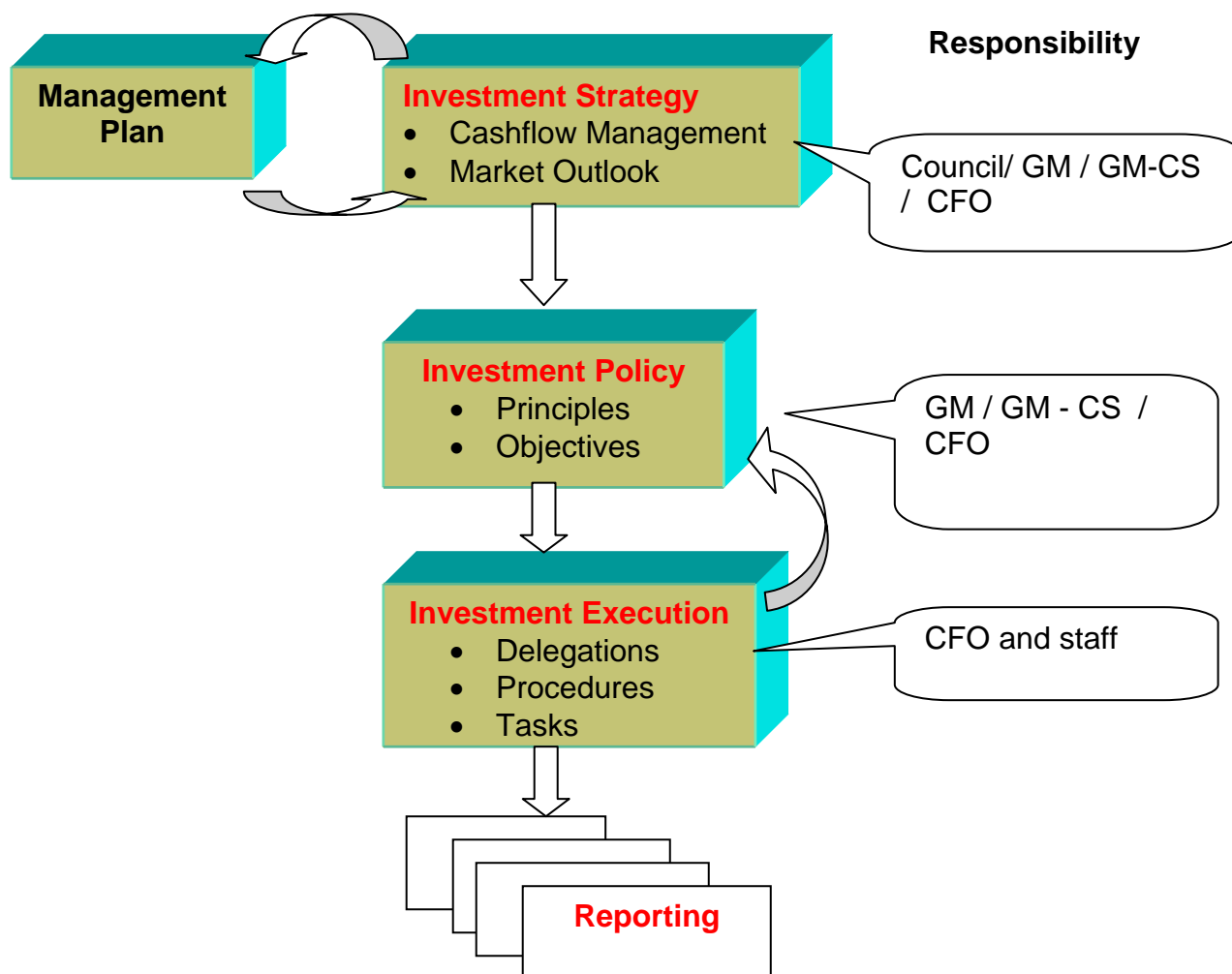
Proposed Effective Date
29 September 2010

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	1 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

INVESTMENT POLICY GUIDELINES

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City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	2 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
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City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	3 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

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City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	4 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

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City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	5 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
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* or Moody's / Fitch equivalents

Whilst the Commonwealth Government continues to provide a guarantee for investments up to \$1 million in approved ADIs this investment

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	6 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

framework can be exceeded whilst the guarantee is in place.

(b) Counterparty 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*	S&P Short Term Rating*	Maximum %
AAA/AA	A-1+	30%
A	A-1	20%
BBB	A-2	15%
Unrated ADIs	Unrated ADIs	10%

* or Moody's / Fitch equivalents

If any of the Council's investments are downgraded such that they no longer fall within the investment policy, they should be divested as soon as practicable.

(c) Term to Maturity Framework

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

Overall Portfolio Return to Maturity		
Portfolio % <1 year	Min 40%	Max 100%
Portfolio % >1 year	Min 0%	Max 60%
Portfolio % >3 year	Min 0%	Max 30%
Portfolio % >5 <7year	Min 0%	Max 15%

The maximum allowable term to maturity for any investment is 7 years.

11 Divestment

If the characteristics of any of Council's investments change with market conditions such that they no-longer fall within these investment policy guidelines, they should be divested as soon as is practical.

12 Investment Advisor

Council's investment advisor must be licensed by the Australian Securities and Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended and is free to recommend the most appropriate product within the terms and conditions of the investment policy.

The independent advisor is required to provide written confirmation that they do not have any or potential conflicts in relation to the investments they are recommending or reviewing, including that they are not receiving

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	7 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

any commissions or benefits in relation to the investments being recommended or reviewed.

13 Measurement

The investment return for the portfolio is to be regularly reviewed by the investment advisor by assessing the market value of the portfolio. The market value is to be assessed at least monthly to coincide with monthly reporting.

The investment advisor should meet with the responsible staff and review Council's investment portfolio no less than every six months.

14 Benchmarking

The performance of the investment portfolio shall be measured against the UBS Warburg 90 Day Bank Bill Index and/or the Cash Rate.

15 Reporting and Review

Documentary evidence must be held for each investment and details thereof maintained in an investment Register.

The documentary evidence must provide Council legal title to the investment.

Certificates must be obtained from the financial institutions confirming the amounts of investments held on the Council's behalf as at 30 June each year and reconciled to the Investment Register.

All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis.

A monthly report will be provided to Council in support of the monthly statement of activity. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date, changes in market value and investment income versus budget year to date

If a breach of this investment policy occurs, Council will be notified at its next ordinary meeting.

16 Review and Variation to Policy

The Investment Policy will be reviewed at least once a year or as required in the event of legislative changes. The Investment Policy may also be changed as a result of other amendments that are to the advantage of the Council and in the spirit of this policy. Any amendment to the Investment policy must be way of Council resolution.

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	8 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

SCHEDULE 1: Extracts of Legislative Requirements

LOCAL GOVERNMENT ACT 1993 - SECT 412 & 625

Section 412 Accounting Records

- (1) A council must keep such accounting records as are necessary to correctly record and explain its financial transactions and its financial position.
- (2) In particular, a council must keep its accounting records in a manner and form that facilitate:
 - (a) the preparation of financial reports that present fairly its financial position and the results of its operations, and
 - (b) the convenient and proper auditing of those reports.

Section 625 How May Councils Invest?

- (1) A council may invest money that is not, for the time being, required by the council for any other purpose.
- (2) Money may be invested only in a form of investment notified by order of the Minister published in the Gazette.
- (3) An order of the Minister notifying a form of investment for the purposes of this section must not be made without the approval of the Treasurer.
- (4) The acquisition, in accordance with section 358, of a controlling interest in a corporation is not an investment for the purposes of this section.

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	9 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	



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REVISED MINISTERIAL INVESTMENT ORDER

The recent Review of NSW Local Government Investments ("the Cole Report") investigated the impact on councils that invested in structured financial products. The NSW Government adopted all the recommendations from the report.

The Minister for Local Government has now issued a revised Order pursuant to section 625 of the *Local Government Act 1993*. The Minister signed the amended Order on 31 July 2008 and it was gazetted on Friday 15 August 2008. It replaces the Order dated 15 July 2005. The revised Order is attached to this circular.

The changes to the Order include:

- including both principal and investment income in the definition of investment instruments
- removal of investments with specific credit ratings under items (k) and (l) of the previous Order. This decision will be reviewed after 31 December 2009
- removal of item (g) in the previous Order, which identified purchase of land as a form of investment. This removal does not preclude a council from acquiring land for the purpose of exercising any of its functions (s186(1) *Local Government Act 1993*)
- streamlining the wording around investing in public funds and securities issued by or guaranteed by the Commonwealth or Territory (part (a))
- restricting mortgages over land to first mortgages with a Loan to Value ratio of no greater than 60% (part (c))
- excluding subordinated obligations (part (d))
- improving the wording for investments and bills of exchange with authorised deposit-taking institutions (part (e))
- transitional arrangements regarding existing investments (grandfathering provisions).

The Department is preparing guidelines aimed at assisting councils in developing a comprehensive investment policy. The process will incorporate consultation with stakeholders. The guidelines will include issues raised in the Cole Report relating to conflicts of interest, such as product manufacturers and distributors being appointed as investment advisors, and the fiduciary responsibilities of councils and county councils in relation to investment activities.

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	10 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

When considering selling current investments that fall below the requirements of the revised Ministerial Investment Order (see Circular 06-70), councils should exercise due care and diligence. Councils should not solely rely on advice from the issuer of the investment and should seek independent financial advice. An investment adviser or dealer acting on behalf of a council should be licensed by the Australian Securities and Investment Commission (ASIC) (www.asic.gov.au).



Garry Payne AM
Director General

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	11 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

LOCAL GOVERNMENT ACT 1993 – INVESTMENT ORDER

(Relating to investments by councils)

I, the Hon. Paul Lynch 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) mortgage of land in any State or Territory of the Commonwealth (restricted to first mortgages over land with a Loan to Value ratio of no greater than 60%);
- (d) 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;
- (e) 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;
- (f) a deposit with the Local Government Financial Services Pty Ltd
- (g) 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 Order dated 15 July 2005, 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.

Dated this 31st day of July

2008


Hon PAUL LYNCH MP
Minister for Local Government

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	12 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

THE TRUSTEE AMENDMENT (DISCRETIONARY INVESTMENTS) ACT 1997 – SECTIONS 14A(2), 14C (1) & (2)

14A (2) Duties of trustee in respect of power of investment

A trustee must, in exercising a power of investment:

- (a) if the trustee's profession, business or employment is or includes acting as a trustee or investing money on behalf of other persons, exercise the care, diligence and skill that a prudent person engaged in that profession, business or employment would exercise in managing the affairs of other persons, or
- (b) if the trustee is not engaged in such a profession, business or employment, exercise the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons.

14C Matters to which trustee is to have regard when exercising power of investment

(1) Without limiting the matters that a trustee may take into account when exercising a power of investment, a trustee must, so far as they are appropriate to the circumstances of the trust, if any, have regard to the following matters:

- (a) the purposes of the trust and the needs and circumstances of the beneficiaries,
- (b) the desirability of diversifying trust investments,
- (c) the nature of, and the risk associated with, existing trust investments and other trust property,
- (d) the need to maintain the real value of the capital or income of the trust,
- (e) the risk of capital or income loss or depreciation,
- (f) the potential for capital appreciation,
- (g) the likely income return and the timing of income return,
- (h) the length of the term of the proposed investment,
- (i) the probable duration of the trust,
- (j) the liquidity and marketability of the proposed investment during, and on the determination of, the term of the proposed investment,

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	13 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

(k) the aggregate value of the trust estate,

(l) the effect of the proposed investment in relation to the tax liability of the trust,

(m) the likelihood of inflation affecting the value of the proposed investment or other trust property,

(n) the costs (including commissions, fees, charges and duties payable) of making the proposed investment,

(o) the results of a review of existing trust investments in accordance with section 14A (4).

(2) A trustee may, having regard to the size and nature of the trust, do either or both of the following:

(a) obtain and consider independent and impartial advice reasonably required for the investment of trust funds or the management of the investment from a person whom the trustee reasonably believes to be competent to give the advice,

(b) pay out of trust funds the reasonable costs of obtaining the advice.

City of Ryde		File:	
Title:	Investment Policy Guidelines	Page:	14 of 9
Group/Service Unit:	Corporate Services / Financial Services	Version:	
Effective Date:	Proposed 29/09/2010	Last Revised:	

LOCAL GOVERNMENT (GENERAL) REGULATION 2005 - CLAUSE 212

212 Reports on council investments

(1) The responsible accounting officer of a council:

(a) must provide the council with a written report (setting out details of all money that the council has invested under section 625 of the Act) to be presented:

i) if only one ordinary meeting of the council is held in a month, at that meeting, or

(ii) if more than one such meeting is held in a month, at whichever of those meetings the council by resolution determines, and

(b) must include in the report a certificate as to whether or not the investment has been made in accordance with the Act, the regulations and the council's investment policies.

(2) The report must be made up to the last day of the month immediately preceding the meeting.

Note. Section 625 of the Act says how a council may invest its surplus funds.