



LITHGOW CITY COUNCIL

8. FINANCE

Policy 8.2

INVESTMENT POLICY

Version 2

8. FINANCE

8.2 INVESTMENT POLICY

OBJECTIVE:

- (i) To undertake investment of surplus funds.
- (ii) To maximise earnings from authorised investments.
- (iii) To ensure the security of Council Funds.

POLICY:

AUTHORITY FOR INVESTMENT

All investments are to be made in accordance with:

- Local Government Act 1993 - Section 625;
- Local Government Act 1993 - Order (of the Minister) dated 31 July 2008;
- The Trustee Amendment (Discretionary Investments) Act 1997 - Sections 1 A(2), 1 C(1) & (2);
- Local Government (General) Regulation 2005.

DELEGATION OF AUTHORITY

The General Manager is given delegated authority under the Local Government Act to invest temporary surplus funds in accordance with Council policy.

This authority may be sub-delegated by the General Manager.

AUTHORISED INVESTMENTS

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

- Any public funds or securities issued by or guaranteed by, the Commonwealth, any State of the Commonwealth or a Territory;
- Any debentures or securities issued by a council (within the meaning of the Local Government Act 1993 (NSW));
- 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%);
- 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 Local Government Financial Services Pty Ltd;
- A deposit with the New South Wales Treasury Corporation or investments in an Hour-Glass investment facility of the New South Wales Treasury Corporation.

GUIDELINES

FUND MANAGERS CREDIT RATINGS (VIA S&P OR MOODY'S OR FITCH)	MAXIMUM PERCENTAGE WITH ONE FINANCIAL INSTITUTION	MINIMUM RECOMMENDED INVESTMENT HORIZON	MAXIMUM WEIGHTING AS % OF TOTAL INVESTMENT PORTFOLIO
AAA	50%	0 – 3months	0 – 100%
AA	5%	3 – 6 months	0 – 90%
A	0%	6 – 12 months	0 – 80%

(a) Approved Investments with Funds Managers would include:

The asset structure and features of the fund are to be consistent with the time horizon, risk parameters, and liquidity requirements of Council as set out in its Investment Strategy.

Credit Ratings:

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

(b) Council's Direct Investments

SHORT TERM RATING (STANDARD & POORS, MOODY'S OR FITCH EQUIVALENT)	LONG TERM RATING (STANDARD & POORS, MOODY'S OR FITCH EQUIVALENT)	MAXIMUM PERCENTAGE WITH ONE FINANCIAL INSTITUTION	MAXIMUM TERM TO MATURITY ¹	MAXIMUM WEIGHTING AS % OF TOTAL INVESTMENT PORTFOLIO
A1+	AAA to AA-	15%	7 years	100%
A1	A+ to A-	10%	5 years	60%
A2	BBB+ to BBB ²	5%	3 years	15%

¹ Only a maximum of 10% of total annual average funds may be invested in securities with a maturity exceeding one year.

² Investments in securities issued by institutions with a credit rating less than A2 short term or BBB+ long term must be issued by a licensed bank, building society or credit union.

Credit Ratings:

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

(c) Performance Benchmarks

INVESTMENT	PERFORMANCE BENCHMARK
Cash	11am Cash Rate
Cash Enhanced/Direct Investment	USBA Bank Bill Index
Fixed Interest	USBA Composite Bond Index

(d) Reporting

- (i) A monthly report shall be provided to Council, detailing the investment portfolio in terms of performance and counterparty percentage exposure of total portfolio.

The report will also detail investment income earned versus budget year to date.

- (ii) For audit purposes, certificates must be obtained from the banks/fund managers confirming the amounts of investment held on Council's behalf at 30th June each year.

(e) Variation to Policy

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

All changes to this policy are to be reported to Council.

Maintained by Department:	Internal Services	Approved by:	Council		
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