



TWEED
SHIRE COUNCIL

Policy

Investment

Version 1.8

Adopted by Council at its meeting on 20 February 2014

Minute No: 106

Division: Technology and Corporate Services
Section: Financial Services
File Reference: Investments
Historical Reference: V1.7 adopted 20 June 2013; V1.6 adopted 17 July 2012; V1.5 adopted 19 April 2011; V1.4 adopted 17 August 2010, Reviewed 7 July 2010; V1.3 Adopted 16 June 2009; V1.2 Adopted 11 March 2008; V1.1 Adopted 13 November 2007; V1.0 Adopted 19 October 2005

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Investment

Policy Objective

To provide a framework to assist Council optimise its return on investment of surplus funds in a prudent and measurable manner. Specifically:

- Achieve or exceed budgeted investment revenue while preserving Council's capital.
- Establishment of Risk Management Guidelines based upon credit rating, limited exposure to individual institutions and term to maturity limits.
- Use of an appropriate benchmark for investment performance measurement.
- Ensure there is sufficient liquidity to fund all reasonably anticipated cash flow requirements and the use of investment types which comply with Legislative Requirements including the revised Investment Order dated 12 January 2011.

Definitions

Not applicable

Policy Background

Not applicable

Policy

Risk Management Guidelines

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

- i) Preservation of Capital:** the requirement for preventing losses in an investment portfolio's total value, inclusive of both principal and income.
- ii) Diversification/Credit Risk** limits overall credit exposure of the portfolio by diversification of credit ratings.
- iii) Market Risk: limiting** the risk that the fair value or future cash flows of an investment will fluctuate due to changes in market prices by restricting the amount invested in non-rated or lower rated institutions.
- iv) Counterparty Credit Framework:** exposure to individual counterparties/institutions to remain within policy guidelines.
- v) Maturity Framework:** limits the duration of any investment term.

- vi) **Leveraging Risk:** the magnification of an investor’s risk and return that occurs when the investor takes on financial leverage through an investment product. Leveraged investment products are prohibited by the Investment Policy.
- vii) Council will seek independent investment advice where necessary when preparing an investment policy. Advisors must have no actual or potential conflict of interest in relation to investment products being recommended. Advisors are required to provide written confirmation that they do not have any actual or potential conflicts of interest in relation to investment they recommending or reviewing. Manufacturers and distributors of investment products are excluded from acting as investment advisors to Council.

Diversification and Credit Risk Guidelines

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 (refer to Schedule 2 for rating definitions):

Overall Portfolio Credit Limits		
Long-Term Credit Ratings	Short-Term Credit Ratings	Investments Maximum
AAA	A1+	100%
AA	A1+	100%
A+	A1	60%
A	A1	60%
A-	A1	60%
BBB+	A2	20%
BBB	A2	20%
BBB-	A3	20%
Unrated	Unrated	10%

Note: Percentage limits are based upon Council's average core portfolio balance

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:

Individual Counterparty Limits		
Long-Term Credit Ratings	Short-Term Credit Ratings	Investments Maximum
AAA	A1+	25%
AA	A1+	20%
A+	A1	15%
A	A1	15%
A-	A1	15%
BBB+	A2	10%
BBB	A2	10%
BBB-	A3	10%
Unrated	Unrated	5%

- Investments with counterparties below A Category (Long Term) and below A-1 (Short Term) are to be restricted to **Authorised Deposit Taking Institutions** (ADIs = banks, building societies and credit unions) regulated by, and subject to the prudential standards of, the Australian Prudential Regulation Authority (APRA).
- NSW T-Corp will be regarded in terms of the respective investments' "shadow rating" as advised by that institution.
- The short-term credit rating limit will apply in the case of discrepancies between short and long-term ratings.
- In the event that a credit rating of a security or of the company/body issuing the security falls below the required minimum, as set out in the Minister's Order, Council will make all necessary arrangements to withdraw deposits as soon as practical.
- Percentage limits are based upon Council's average core portfolio balance.

Delegation of Authority

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.

Officer's 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.

Prudent Person Standard

Council's investments 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.

Ethics and Conflicts 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.

Term to Maturity Framework

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

Overall Portfolio Term to Maturity Limits	
Portfolio % <=1 year	100% max; 40% min
Portfolio % >1 <=3 years	60%
Portfolio % >3 <=5 years	40%

- To provide adequate liquidity all tradeable securities purchased will have, subject to market conditions, the ability to be liquidated within five working days.
- Percentage limits are based upon Council's average core portfolio balance.
- The term to maturity of any of Council's investments may range from "at call" to five (5) years at final legal maturity.

Performance Benchmark

The performance benchmark for Tweed Shire Council's investment portfolio is the industry standard UBS 90 day Bank Bill Index.

Measurement

As Council continues to hold grandfathered investments such as Bonds, the investment returns for the portfolio are to be regularly reviewed by an independent market sources by assessing the market value of the portfolio. The market value is to be assessed at least once a month to coincide with monthly reporting.

Investment Strategy

An Investment Strategy will be reviewed upon any change to the Investment Policy or at least annually by the Financial Accountant or Investment Advisor in conjunction with the investment policy, reviewed quarterly and approved by the Manager Financial Services. The Strategy will outline:

- Council's cash flow expectations for a specified period i.e. one year
- Optimal target allocation of investment types, credit rating exposure, and term to maturity exposure
- Appropriateness of overall investment types for Council's portfolio
- Determine the investment portfolio level for the forthcoming year
- The Investment Strategy will fully comply with legislative requirements and Council's investment policy.

Approved Investments

- Commonwealth/State/Territory Government security e.g. bonds
- Interest bearing deposits issued by an authorised deposit taking institution (ADI)
- Debentures issued by NSW Local Government
- Deposits with NSW Treasury &/or Investments in Corp.'s Hour Glass Facility
- Investments grandfathered under the previous Ministerial Investment Order
- All investments must be denominated in Australian dollars.

Prohibited Investments

- Derivative based instruments
- Principal only investments or securities that provide potentially nil or negative cash flow;
- Stand alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind
- The use of leveraging (borrowing) for investment
- Subordinated debt instruments

- Any investment that does not comply with the General Products Check List (Schedule 6)

Legal Title

When Council invests in financial instruments it is important that the financial instrument clearly shows it is held in the name of Council. i.e. Safe custody arrangement for bonds.

Reporting

There is a legislative requirement (clause 212 LGGR) for Council to report to Council each month regarding the investment portfolio. The report must detail amounts and types of investments currently held and investment portfolio performance compared to benchmark.

Council is also required to account for investments in the annual financial statements.

Review of Investment Policy

- The policy will be reviewed annually and submitted to Council if any amendments are proposed.
- Good corporate governance requires Council to arrange a review of its investments by an independent external entity (i.e. External Auditors) to verify that:
 - i) new investment types/products comply with Council's investment policy
 - ii) the valuation of investments against set benchmarks are measured at least monthly
 - iii) investments have been placed in accordance with Council's investment policy

Schedules

Schedule 1 – Investment (Financial) Instrument Descriptions

Schedule 2 – Standard's and Poor's Ratings Description

Schedule 3 – Copies of Relevant Legislation

Schedule 4 – Summary of new Ministerial Investment Order changes

Schedule 5 – New Ministerial Investment Order dated 12 January 2011

Schedule 6 – General Products Check List

Schedule 1 - Investment (Financial) Instrument Description

11am call deposits

Cash invested on an overnight basis. Funds can be recalled or re-invested before 11am on the following business day.

Term Deposit

Funds invested with a financial institution at a predetermined rate that applies to the duration of the deposit. The principal is held on deposit for a fixed term with interest payable at maturity. It is not a tradeable security and the investor is penalised when funds are prepaid.

Bank Bill

Bank-accepted bills are bills of exchange drawn by a company or individual (borrower) usually for periods between 30 and 180 days. The bill is accepted by the bank, which in turn accepts the liability for payment at maturity. It is a short-term investment issued at a discount to the face value and is of a very high credit standing, consequently trades at the lowest yields of all commercially issued bills.

Negotiable Certificate of Deposit (NCD)

These are short-term bearer securities issued by banks for up to 180-days. They are sold at a discount to face value and are highly liquid discount securities; representing the bank's debt, therefore trade at similar yields to bank bills. Creditworthiness of the bank will determine where the bank's NCD trades, relative to the BBSW.

Promissory Note (PN) / Commercial Paper (CP)

A negotiable instrument evidencing an unsecured obligation (promise) the issuer has to repay a certain amount of money at a future date, usually for up to six months. CP is a highly liquid discount security that is traded on a yield to maturity basis. To be marketable, a credit rating must be obtained from a ratings agency e.g. Standard & Poor's. Major issuers include industrial corporations, securitised vehicles and finance companies. It has a higher risk of default than a bank and hence trades at a higher yield.

Floating Rate Note (FRN)

The FRN is a longer-term debt security issued for a fixed period of time but has a variable (floating) coupon on a monthly or quarterly basis. The coupon reflects current interest rates, which is determined as a margin over the BBSW rate set. FRN's appeal to investors who are reluctant to commit funds to fixed interest investments for longer periods in times of fluctuating interest rates. Typical issuers are banks, corporates, financial institutions and securitised vehicles.

Residential Mortgage Backed Securities (RMBS)

RMBSs are specific type of securitised asset (investment products that convert an income stream of multiple receivables into a security paying regular coupon payments). RMBSs are backed by a pool of residential mortgages. These securities are structured into different classes with varying security characteristics. The majority of RMBS are “pass-through” where the cash flows (principal and interest) received from the underlying mortgages that make up the pool are passed directly through to the holders of the RMBS.

Asset Backed Securities (ABS)

Another form of securitised asset backed by assets other than residential mortgages. Such alternative assets include automobile loan receivables, commercial mortgages, equipment lease receivables, and credit card receivables. ABS can be either fixed or floating rate securities.

Fixed Interest Securities (Bonds)

Securities issued by Commonwealth, State or corporate institutions that pay a fixed rate of interest (coupon) and mature at a fixed point in time. The interest (coupon) is paid at regular intervals (semi-annually, but can be paid monthly, quarterly, or annually). These securities are generally issued for a period of greater than one year.

Collateralised Debt Obligations (CDO)

While nearly every CDO structure can be slightly different, a “plain vanilla” structure typically has 75 – 150 underlying entities (a range of global companies diversified by industry sector) with credit ratings ranging from BBB to AAA. The CDO itself is then split into various “tranches” each with different amounts of subordination (i.e. collateral) which results in the higher subordinated tranches receiving higher credit ratings from the rating agencies. When an underlying entity has a credit event a portion of the subordination is eroded. CDOs are highly leveraged instruments which can have large fluctuations in their mark-to-market valuations, and very possibly their credit rating, when an underlying entity has encountered a “credit event”, such as bankruptcy. Depending on the particular structure, the security can typically sustain between 6 - 8 credit events before the investor’s capital is in jeopardy.

Pooled Managed Funds

- **Sector Specific Funds**
These funds invest in one particular asset sector. The Funds predominately invest in a range of short dated cash-type securities with the aim of outperforming the UBS 90 day Bank Bill Index benchmark. They are designed to enhance returns on short-term holdings as an alternative to short-dated bank bill and term deposit portfolios. They provide easy access to holdings and can be redeemed within 24 to 48 hours.
- **Diversified Funds**
These funds invest in a pre-determined range of asset classes including cash, fixed interest, property, and Australian & international shares. The weighting among the various asset classes will differ depending upon the type of diversified fund chosen, e.g. Conservative Funds (Corp.'s Medium Term Growth) have a higher weighting in cash and fixed interest than Balanced Funds (Corp.'s Long Term Growth) that have higher weightings in growth assets such as property and shares.

Schedule 2 - Standard and Poor's Ratings Description

Credit Ratings

Standard & Poor's (S&P) is a professional organisation that provides analytical services. An S&P rating is an opinion of the general creditworthiness of an obligor with respect to particular debt security or other financial obligation — based on relevant risk factors.

Credit ratings are based, in varying degrees, on the following considerations:

- Likelihood of payment.
- Nature and provisions of the obligation.
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganisation or other laws affecting creditors' rights.

The issue rating definitions are expressed in terms of default risk.

Short-Term Obligation Ratings are:

A-1

This is the highest short-term category used by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2

A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

A-3

A short-term obligation rated A-3 exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Long-Term Ratings are:

AAA

An obligation/obligor rated AAA has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation/obligor rated AA differs from the highest rated obligations only in a small degree. The obligor's capacity to meet its financial commitment on the obligations is very strong.

A

An obligation/obligor rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations/obligor in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation/obligor rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to the obligor to meet its financial commitment on the obligation.

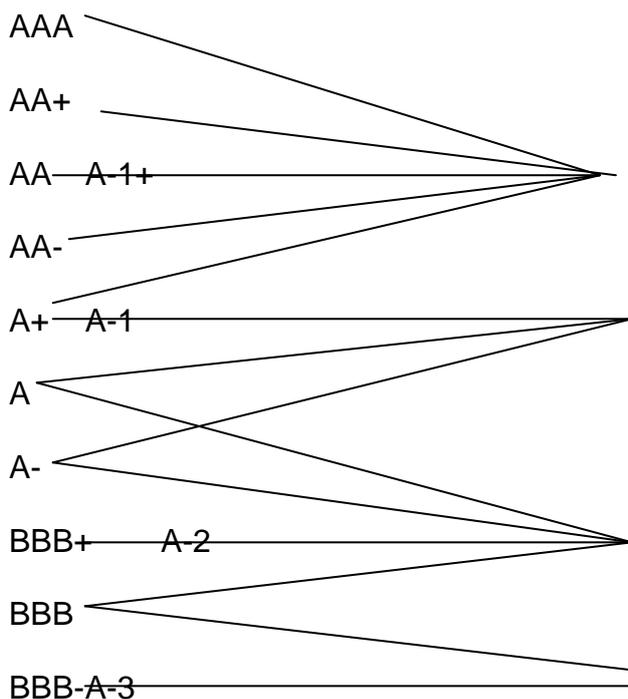
Plus (+) or Minus (-): The ratings from "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

CreditWatch highlights an emerging situation, which may materially affect the profile of a rated corporation and can be designed as positive, developing or negative. Following a full review the rating may either be affirmed or changed in the direction indicated.

A Rating Outlook assesses the potential direction of an issuer's long-term debt rating over the intermediate-to-long term. In determining a Rating Outlook, consideration is given to possible changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a ratings change or future CreditWatch action. A "Rating Outlook – Positive" indicates that rating may be raised. "Negative" means a rating may be lowered. "Stable" indicates that ratings are not likely to change. "Developing" means ratings may be raised or lowered.

S & P Ratings Correlations

The standard correlation of short-term ratings with long-term ratings is shown below:



Schedule 3 - Excerpts 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 Guidelines

- Councils must comply with clause 212 of the Local Government (General) Regulation 2005 that provides for reporting on council investments by the responsible accounting officer.
- The Code of Accounting Practice and Financial Reporting require councils to maintain a separate record of money it has invested under section 625 of the Act. The record must specify:
 - (a) the source and the amount of money invested; and
 - (b) particulars of the security or form of investment in which the money is invested; and
 - (c) If appropriate, the rate of interest to be paid, and the amount of money that the council has earned, in respect to the money invested.
- A council or entity acting on its behalf should exercise the care, diligence and skill that a prudent person would exercise in investing council funds. A prudent person is expected to act with considerable duty of care, not as an average person would act, but as a wise, cautious and judicious person would. (Ref: Trustee Amendment (Discretionary Investments) Act 1997 section 14 A (2)).
- A council should develop an investment strategy as part of its overall financial plan. The strategy should, as a minimum consider the desirability of diversifying investments and the nature and risks associated with the investments. (For guidance see: Trustee Amendment (Discretionary Investments) Act 1997 section 14 c (1) “matters to which trustee is to have regard when exercising power of investment”).
- A council should at least once in each year, review the performance (individually and as a whole) of council investments and review its investment strategy.
- An investment adviser or investment dealer acting on behalf of a council should be licensed by the Australian Securities and Investment Commission. Ref: www.asic.gov.au
- Where a council invests in banks; building societies and credit unions it should know that these institutions are regulated as authorised deposit taking institutions by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959 Ref. www.apra.gov.au Note, however, that whilst APRA has power to require financial institutions to observe prudential standards (such as appropriate capitalisation, liquidity and governance) and to intercede if it believes that depositors’, policyholders’ or members’ interests are at risk, it provides no guarantee of the performance of the financial institution.
- Credit ratings are a guide or standard for an investor, which indicate the ability of a debt issuer or debt issue to meet the obligations of repayment of interest and principal. Credit rating agencies such as Moody’s and Standard and Poor’s make these independent assessments based on a certain set of market and non-market information. Ratings in no way guarantee the investment or protect an investor

against loss. Prescribed ratings should not be misinterpreted by councils as an implicit guarantee of investments or entities that have such ratings. Even given this challenge, ratings provide the best independent information available.

- In the event that a credit rating of a security or the credit rating of the company or body issuing the security falls below the required minimum, as set out in the Minister's Order, a council must make all the necessary arrangements to withdraw the deposit as soon as practicable.
- Note that in choosing a NSW Treasury Corporation hour-glass investment the choice of the facility should be based on the nature of the underlying commitments for which the council is holding funds. For example, funds required in the short term must be invested with a short-term profile rather than with exposure to more volatile asset classes such as property and shares.

The Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14a (2), 14c (1) and (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,
 - (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.

Schedule 4:

Important changes to the revised Ministerial investment Order (refer Schedule 5) dated 31 July, 2008:

1. Principal and investment income are to be included in the definition of investment instruments. Listed after Item (g) in the new Ministerial Order.
2. Credit ratings are no longer the sole determinant of an investment's suitability. Removal of investments and specific credit ratings listed under items (k) and (l) of the previous Ministerial Order dated 15 July 2005. i.e. Item (k) allowed investment in "any securities which are issued by a body or company with a Moody's Investors Service Inc. credit rating of Aaa As1 Aa2 A1 or A2 or a Standard and Poor's Investors Service Inc. credit rating of AAA AA+ AA AA- A+ A A1+ or A1 or a Fitch Rating credit rating of AAA AA+ AA AA- A+ or A." Item (l) included "any securities which are given a moody's Investors Service Inc credit rating of Aaa Aa1 Aa2 Aa3 A1 A2 or Prime-1 or a Standard and Poor's Investors Service Inc. credit rating of AAA AA+ AA AA- A+ or A.
3. Removal of item (g) in the previous Ministerial Order, which identified purchase of land as a form of investment. This removal does not preclude Council from acquiring land for the purpose of exercising any of its functions under s186(1) of the Local government Act 1993.
4. Amendment of item (a) of the Order to include "any public funds or securities issued or guaranteed by the Commonwealth, any State or Territory of the Commonwealth"
5. Restricting mortgage of land to first mortgages over the land with a Loan to Value ratio of no greater than 60%. Item (c.) of the new Ministerial Order.
6. Item (d) of the new Ministerial Order prohibits investment in subordinated obligations.
7. Investment in managed funds other than the NSW treasury Corporation Hour-glass investment facility or Local Government Financial Service is prohibited.
8. Transitional (grandfathering) arrangements allow Council to retain certain existing, non-complying investments until maturity.

Schedule 5:



Circular No. 11-01
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

Schedule 6: General Products Check List

- 1) Have you found out how the funds will be invested, how will they generate returns and how will these be paid to the Council? (Could you describe to others how this product works?)
Yes No
- 2) Are you clear on the conditions associated with this type of investment and the level of risk?
Yes No
- 3) Does the investment meet Council's financial objective and comply with Council's investment policy?
Yes No
- 4) Are Council's product issuers licensed by the Australian Security and investment Commission?
Yes No
- 5) Do you know if/how the investment may be affected by a major shift in the economy and market sentiment?
Yes No
- 6) Could the investment be liquidated in a timely manner without loss or penalty? i.e. can Council quickly get its money back out of this product if it needs to? Are there any fees to get out early?

Note: If you answered "No" to any of the above questions, do your research and consult your financial advisor. If necessary, review your investment decision.

Related Legislation

- Local Government Act 1993, Section 412 and 625.
- Local Government Act 1993 – Order (of the Minister) pursuant to section 625 of the Local Government Act 1993.
- The Trustee Amendment (Discretionary Investments) Act 1997 - Sections 14A (2), 14C (1) and (2).
- Local Government (General) Regulation 2005 – Clause 212.
- Local Government Code of Accounting Practice and Financial Reporting.
- Australian Accounting Standards.
- Department of Local Government Circulars.

Compliance

Good corporate governance requires Council to arrange a review of its investments by an independent external entity (i.e. External Auditors) to verify that:

- (i) new investment types/products comply with Council's investment policy
- (ii) the valuation of investments against set benchmarks are measured at least monthly
- (iii) investments have been placed in accordance with Council's investment policy

Forms

Not applicable

Review Period

This Policy will be reviewed within 12 months of the election of each new Council or more frequently in the event of any legislative changes or change in circumstances.

Useful Links

[Tweed Shire Council website](#)

Version Control:

Version History		
Version #	Summary of changes made	Date changes made
1.7	Minor amendments and incorporated into new Policy template	20/06/2013
1.8	<ol style="list-style-type: none">1. Alignment of long-term and short-term credit ratings for total portfolio2. Alignment of long-term and short-term credit ratings for individual counterparties.3. Simplification of term to maturity limits	February 2014