INVESTMENT POLICY P5.0162.7

INVESTMENT POLICY

DIRECTORATE: Growth and Finance

BRANCH: Finance and Property Services

CATEGORY: 2

1. Purpose

1.1 The purpose of the Policy is to ensure that Council and its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council's funds in seeking to, first, minimise the risk of loss or liquidity constraints, and, second, to receive an appropriate rate on its returns. It details:

- Council funds covered by the Policy
- Council's objectives for its investment portfolio
- How investments are to be undertaken
- The applicable risks to be managed
- Any constraints and other prudential requirements to apply to the investments of funds having regard to the applicable legislation and regulations governing Council investments
- The manner in which compliance with the Policy will be monitored and reported, and
- Appropriate benchmarks for each category of investment.

2. Alignment with Community Strategic Plan

2.1. Council's Community Strategic Plan 2036 identifies five key directions to guide Council towards achievement of the vision for Camden to 2036 that "Camden is a connected, diverse, and thriving community, embracing opportunities of growth, while valuing our rich heritage and protecting and sharing responsibility for our natural environment".

The following objective is applicable to the Policy and relevant to the key direction of Leadership:

- L3 - Our Council decisions are informed, accountable and transparent.

3. Scope

3.1 The Policy applies to staff with delegated authority to act upon Council's cash investments.

4. Objectives

4.1 The objective of the Policy is to provide a framework for the optimum investment of Council's funds at the most favourable rate of interest available to it at the time to maximise returns while having due consideration of risk tolerance, liquidity and security for its investments.

4.2 While exercising the power to invest, consideration needs to be given to the preservation of capital, liquidity and the return on investment. Council therefore has several primary objectives for its investment portfolio:

- Compliance with legislation, regulations, the "prudent person" tests of the *Trustee Act 1925*, and best practice guidelines.

- Preservation of capital is the main priority of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding of the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.

- 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 the risk of significant costs due to the unanticipated sale of an investment.

- Investments are expected to maximise returns in line with Council's risk tolerance, having taken due care to ensure that Council deals on the most efficient terms reasonably possible.

5. Policy Statement

5.1 Delegation of Authority

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

5.1.2 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 review. The Responsible Accounting Officer is the Chief Financial Officer.

5.1.3 Delegated staff will have the appropriate level of skills to undertake the investment functions of Council.

5.1.4 Officers delegated to manage Council's investments shall be recorded and are required to acknowledge that they have received a copy of the Policy and understand their obligations in this role.

5.2 Prudent Person Standard

5.2.1 Council has a fiduciary responsibility when investing. Council's investments will be managed with 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 the Policy and not for speculative purposes.

5.3 Ethics and Conflicts of Interest

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

5.3.2 Independent advisors are also required to declare that they have no actual or perceived conflicts of interest.

5.3.3 Third party suppliers and dealers - Council will structure its affairs to minimise costs, favouring dealing directly with other institutions with the assumption of better net terms. Where intermediation is necessary, ideally, arrangements should result in a rebate of brokerage.

5.3.4 At times, it will be advantageous to deal with third parties that are remunerated on a transaction rather than retainer basis. Council will use such suppliers where favourable and have regard to obtaining the most favourable terms.

5.3.5 Specifically, Council will have regard to:

- Administrative cost savings
- Ability to access higher (retail) rates where these outweigh any additional direct transaction costs
- Access to ADIs that would not normally have an institutional direct channel i.e Comminvest, and
- Limited access or Initial Public Offering (IPO) deals, or other secondary market opportunities that are only available from specific sources.

5.3.6 Council will take steps to ensure that:

- Any suppliers used are appropriately licensed, reputable and capable
- Funds and identification data are sufficiently secured
- Third party arrangements do not materially worsen Council's credit risks by creating exposure to the dealer as counterparty, and

- Remuneration arrangements are reasonable and transparent, whether paid by Council or by the issuer directly.

5.4 Approved Investments

5.4.1 Investments are limited to those allowed by the Ministerial Investment Order which include:

- *Commonwealth/State/Territory Government securities e.g. bonds*
  These are interest paying securities, which are issued by one of the above Australian government bodies and are guaranteed by that issuer. As such, these securities carry the same credit rating as the issuing government body.

- *Interest bearing deposits or senior bonds issued by an authorised deposit taking institution (ADI)*
  These are interest paying deposits such as term or at-call deposits and the senior bonds of an authorised deposits taking institution such as a bank, building society or credit union. The interest paid may be of a fixed and/or a variable/floating nature. Senior bonds are also commonly referred to as senior fixed or senior floating rate notes.

- *Bills of exchange, (<200 days duration), guaranteed by an authorised deposit taking institution (ADI)*
  These are short term investments guaranteed by the issuing ADI and are purchased at a discount to the final price to be paid on maturity. These securities generally provide better accessibility than term deposits and carry the same credit rating of the comparable term deposit from the same issuing financial institution. These investments may also be known as "bank bills".

- *Debentures issued by NSW Local Government*
  Debentures are income paying securities issued and guaranteed by a NSW local government entity.

- *Deposits with NSW Treasury &/or Investments in NSW Treasury Corporation's Investment Management Funds (ex-Hour Glass Facility)*
  NSW Treasury Corporation Investment Managed (NSW TCorpIM) Funds are managed funds that invest in a range of pre-approved investments. The funds are not guaranteed by the NSW Government. While some NSW TCorpIM Funds eligible under NSW Local Government Ministerial Investment Order allow for investment in the share market, under Council's Investment Policy, only those options that are solely invested in the cash and fixed interest sectors are eligible.

5.5 Currency

5.5.1 All investments must be made in Australian dollars only.

5.6 Prohibited Investments

5.6.1 The 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
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind, and
- Other investments excluded by the Investment Order.

5.6.2 The Policy also prohibits the use of leveraging (borrowing to invest) of an investment.

5.6.3 However, nothing in the Policy shall prevent the drawing down of a loan for a specific purpose and the placement of funds on a short-term deposit ahead of their deployment.

5.7 Risk Management

5.7.1 Investments are expected to achieve a market average rate of return in line with 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)

- Liquidity risk - the risk an investor is unable to redeem the investment at fair price within a timely period

- Diversification - setting limits to the amounts invested with a particular financial institution or government authority to reduce credit risk

- Credit risk - the risk that an institution/entity Council has invested in fails to pay the interest and/or repay the principal of an investment

- Market risk - the risk that the fair value of future cash flows of an investment will fluctuate due to changes in market prices, and

- 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.

5.8 Credit and Maturity Guidelines

5.8.1 Investments are to comply with four key criteria relating to:

- Foreign-owned Banks: limit exposure to overseas financial markets
- Institutional Credit Framework: limit exposure to individual institutions based on their credit ratings
- Overall Portfolio Credit Framework: limit overall credit exposure of the portfolio, and
- Term to Maturity Framework: limits based upon maturity of securities.

5.8.2 Foreign-owned Banks

Foreign subsidiary banks, which are monitored by the Australian Prudential Regulatory Authority (APRA), may be invested in subject to a maximum 25% of the total portfolio.

Those entities listed as a branch of a foreign bank, while an Authorised Deposit Taking Institution (ADI) and eligible to be invested under the prevailing Ministerial Investment Order, are not an approved investment institution under the Policy.

A foreign subsidiary bank may have offshore shareholders but is separately incorporated in Australia and is covered by the Australian Government Savings Guarantee to the same extent as other Australian banks. Australian depositors are the most senior creditors.

In contrast, a foreign branch is not a separate legal entity and therefore could be subject to claims if offshore assets of the group became impaired.

5.8.3 Institutional Credit Framework

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

Long Term Credit Ratings (maturities > 12mos)	Institution Max %
AAA	40%
AA	40%
A	35%
BBB	15%
APRA regulated Foreign Subsidiary Banks	5%

NSW TCorp IM Funds *	Max %
TCorpIM Short Term Income Fund	20%

*The NSW TCorpIM Short Term Income Fund are unrated but the underlying investments are highly rated and the funds are managed to a credit score commensurate with AAA or AA rating respectively.

Credit ratings are based upon the Standard & Poor's Investment Rating, or equivalent where a Standard & Poor's Investment Rating does not exist.

If any of Council's investments are downgraded such that they no longer fall within the Policy's limits, they will be divested as soon as practicable having regard to potential losses resulting from early redemption and subject to minimising any loss of capital that may arise from compliance with this provision.

A resolution of Council is required for the early termination of an investment where a potential loss of capital is to be realised.

5.8.4 Overall Portfolio Credit Framework

To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the total portfolio exposed to particular credit rating categories:

Long Term Credit Ratings (maturities > 12mos)	Institution Max %
AAA	100%
AA	100%
A	50%
BBB	25%
APRA regulated Foreign Subsidiary Banks*	25%
NSW Treasury Corp Deposits and TCorpIM Funds	50%

*Exposures to the foreign subsidiary banks must also fit within the banks' rating limit category in the overall portfolio credit limit table.

Credit ratings are based upon the Standard & Poor's Investment Rating, or equivalent where a Standard & Poor's Investment Rating does not exist.

5.8.5 Term to Maturity Framework

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

Overall Portfolio Term to Maturity Limits		
Portfolio % ≤1year	Min 40%	Max 100%
Portfolio % >1 year ≤ 3 year	Min 0%	Max 60%
Portfolio % >3 year ≤5 year	Min 0%	Max 30%

5.9 Investment Strategy

5.9.1 An investment strategy will run in conjunction with the Policy. The investment strategy will be reviewed with an independent investment advisor once a quarter. The strategy will outline:

- Council's current cash flow expectations and the implications for deviations from a long-term liquidity profile
- Diversification: the allocation of investment type, credit quality, counterparty exposure and term to maturity profile
- Market conditions and the appropriate responses - particularly relative positioning within the limits outlined in the Policy
- Relative return outlook, risk-reward considerations, assessment of the market cycle and hence constraints on risk, and
- Optimisation of overall eligible investments for Council's portfolio.

5.10 Liquidity Requirements

5.10.1 Liquidity refers to the minimum level of liquid funds available to finance day-to-day requirements. Cash flow must be monitored daily and Council will ensure that it has access to the required funds to meet liquidity needs.

5.11 Investment Advisors

5.11.1 Council's investment advisor must be approved by the General Manager and 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 choose the most appropriate product within the terms and conditions of the Policy.

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

5.12 Measurement

5.12.1 The investment return for the portfolio is to be regularly reviewed by Council's financial advisor 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.

5.13 Recording of Investments

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

5.13.2 The documentary evidence must provide Council legal title to the investment (noting that for some investments, such as NSW TCorpIM Funds, they will be held in safe custody with Council nominated as beneficial owner).

5.13.3 All investments are to be appropriately recorded in Council's financial records and reconciled monthly to the General Ledger.

5.14 Review and Variation to Investment Policy

5.14.1 The Policy will be reviewed at least once a year or as required in the event of legislative changes or extreme market changes. Should any legislative change occur, any inconsistencies will prevail over the Policy, and Council will immediately initiate a Policy review.

5.14.2 All changes to the Policy are to be reported to Council as soon as practicable with any amendments to the Policy to ultimately be by way of Council resolution.

5.15 Audit Requirements

5.15.1 Council's external auditors will require independent certification from the relevant financial institutions (banks, fund managers, etc) to confirm the balance of investments held on Council's behalf at the end of the financial year.

5.15.2 Council's external auditor will also periodically review the adequacy of the Policy, strategy and management's internal controls as part of their audit review program.

6. Roles and Responsibilities

6.1 General Manager

The General Manager will ensure the implementation of the Policy as delegated by Council in accordance with the *Local Government Act 1993*. The General Manager will delegate the management of Council's investment portfolio to the Responsible Accounting Officer (Chief Financial Officer) and other staff through the delegated approval process.

6.2 Chief Financial Officer

The Chief Financial Officer will oversee the management of Council's investment portfolio, ensuring compliance with the Policy. The Chief Financial Officer will also provide guidance and advice to Councillors, Executive staff and other staff as to the content and implementation of the Policy.

7. Reporting

7.1 A monthly report will be provided to Council. The report will detail the investment portfolio in terms of investments currently held by Council, including the investments' maturity dates and interest rate return and the issuing institution.

8. Evaluation / Performance Measurement

8.1 The performance of the investment portfolio shall be measured against the industry standard Bloomberg Ausbond Bank Bill Index and/or the Official Cash Rate.

8.2 Monies invested "At Call" should where possible reference the Official Cash Rate. It is also expected that Council will take due steps to ensure that any investment is executed at the best price possible.

9. Definitions

Authorised Deposit Taking Institutions (ADI) These are either a bank, credit union or building society that is authorised under the Banking Act 1959 (Cth) to take deposits from customers. These institutions are monitored by the Government's financial regulator, the Australian Prudential Regulatory Authority (APRA).

Bank Bill Swap Rate (BBSW) The average of mid-rate bank bills and is calculated daily. It is used as an independent reference. Floating rate securities are most commonly reset quarterly to the 90 day BBSW.

Bloomberg Ausbond Index	The NSW local government industry standard benchmark formerly known as the UBS Australia Bank Bill Index. This is the generally accepted benchmark for short term, conservative cash and fixed income investors and allows benchmarking against a notional rolling parcel of bank bills averaging 45 days which is calculated by portfolio of 90 day bank bills over a specified period.
Credit Risk	The risk that a party or guarantor will fail to fulfil its obligations. In the context of this document it relates to the risk of loss due to the failure of the institution/entity with which an investment is held to pay the interest and/or repay the principal of an investment.
Debenture	A debenture is a document evidencing an acknowledgement of a debt, which a company has created for the purpose of raising capital. Debentures are issued by companies in return for medium and long-term investment of funds by lenders.
Diversification	The requirement to place investments in a broad range of products and counterparties so as not to be over exposed to a particular sector of the investment market.
Floating Rate Note (FRN)	A medium to long term fixed interest investment where the coupon is a fixed margin (“coupon margin”) over a benchmark, also described as a “floating rate”. The benchmark is usually the BBSW and is reset at regular intervals – most commonly quarterly.
Interest Rate Risk	The risk that the fair value or future cash flow of an investment will fluctuate because of changes in market interest rates
Investment Portfolio	The total pool of Council’s cash and fixed income investments.
Liquidity Risk	The risk that Council runs out of cash, is unable to redeem the investments at a fair price within a timely period and thereby incurs additional costs (or, in the worst case, is unable to execute its spending plans) either due to its own liquidity management, or through changes in the liquidity profile of an investment.

Market Risk	The risk that fair value or future cash flows of an investment will fluctuate due to changes in market prices or benchmark returns will unexpectedly overtake the investment's return.
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 from changes in interest rates, market conditions and deteriorating credit.
Negotiable Certificates of Deposit (NCDs)	Similar to Bank bills and issued by institutions for a fixed amount (usually for a period of 185 days or less but sometimes for longer terms). They are sold at a discounted face value i.e an NCD for $100,000 with a 180 day maturity @ 3% would be purchased for approx. $98,520. The difference is the interest earned. They can also be traded in the secondary market and are therefore more liquid than term deposits. Sometimes referred to as "Transferable Certificate of Deposit" (TCD).
Official Cash Rate	The rate set by the Reserve Bank of Australia and seen as the "risk free rate" for cash investments.
Prohibited Investments	Investment classes that have been prohibited by the Office of Local Government in its guidelines for NSW Local Government Investment Policy and Ministerial Investment Orders.
Preservation of Capital	An investment strategy with the primary goal of preventing losses in an investment portfolio's total value.
Prudent Person Standard	A legal standard restricting the investing and managing of a client's account to what a prudent person seeking reasonable income and preservation of capital might exercise for his or her own investment.
Responsible Accounting Officer	A member of the staff of Council designated by the General Manager.
Rollover Risk	The risk that income will not meet expectations or budgeted requirements because future interest rates are lower than expected. As deposits and bank securities mature and need to be reinvested, margins may contract thereby resulting in a reduction of income over time.

Securities	For financial markets, the many types of financial instruments (i.e., documents) that are traded in financial markets (except derivatives & contracts), e.g., bonds and shares.
Term Deposits	Funds invested with a financial institution at a predetermined rate that applies for the duration of the deposit. The principal is held on deposit for a fixed term with interest payable at set periods during the term and/or on maturity. Increasingly banking regulation requires term deposits to be issued on "unbreakable" terms or, at a minimum, funds cannot be withdrawn for a minimum period of 31 days.
At-call Deposits	Cash invested on an overnight basis. Funds can be recalled or re- invested before 11am on the following business day.

10. Related Materials

10.1 Related Legislation

All investments are to comply with the following:

- *Australian Accounting Standards*
- *Local Government Act 1993; S412 & S625*
- *Local Government (General) Regulation 2021; Clause 212*
- *Local Government Code of Accounting Practice and Financial Reporting*
- *Ministerial Investment Order 2011*
- *NSW Trustee Act 1925; S14A(2), S14C(1)(2)*

10.2 Related Policies, Procedures and Other Guidance Material

- Office of Local Government Circulars
- Office of Local Government Investment Guidelines
- Investment Strategy
- Investment Procedure

10.3 Attachments

- Attachment 1 – Standard and Poor's ratings descriptions
- Attachment 2 – Copies of relevant legislation, Ministerial Investment Orders

Approval and Review	
Responsible Branch	Finance & Property Services
Responsible Manager	Chief Financial Officer
Date Adopted	Council – 14/11/2023
Version	7
EDMS Reference	17/384785
Date of Next Review	Annually

Version Control				
Version	**Date Adopted**	**Approved By**	**EDMS Ref.**	**Description**
1	March 2012	Council	15/167586	Minor Amendments
2	28/11/2017	Council	17/384785	Minor Amendments
3	27/08/2019	Council	17/384785	Reviewed – No Changes
4	28/10/2020	Council	17/384785	Reviewed – No Changes
5	07/12/2021	Council	17/384785	Reviewed – No Changes
6	13/09/2022	Council	17/384785	Minor Amendments
7	14/11/2023	Council	17/384785	Minor Amendments

Attachment 1

Standard & 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.

Long-Term Obligations 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.

Unrated: Financial institutions do not necessarily require a credit rating from the various ratings agencies such as Standard and Poor's and these institutions are classed as "Unrated". Most credit unions and building societies fall into this category. These institutions nonetheless must adhere to the capital maintenance requirements of the Australian Prudential Regulatory Authority (APRA) in line with all Authorised Deposit Taking Institutions (banks, building societies and credit unions).

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. Each new investment and investment recall requires two authorised signatories.

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. A Rating 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.

Attachment 2

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.

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,
- (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 2021 - 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

(ii) 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.

dlg | circular to councils

Circular No.	11-01	Contact	Finance Policy Section
Date	17 February 2011		02 4428 4100
Doc ID.	A232163		dlg@dlg.nsw.gov.au

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.

<u>Transitional Arrangements</u>

(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.

<u>Key Considerations</u>

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

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