



LITHGOW CITY COUNCIL

Policy 8.2

INVESTMENT POLICY

Version 1

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:

1 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 15 July 2005;
- The Trustee Amendment (Discretionary Investments) Act 1997 - Sections 1 A(2), 1 C(1) & (2);
- Local Government (General) Regulation 2005.

2 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

3 AUTHORISED INVESTMENTS

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

- Local/State/Commonwealth Government Bonds, Debentures or Securities;
- Managed funds with a minimum long term credit rating of 'A' (S&P Australian Ratings) or better, or Moody Investor Services equivalent or Fitch rating equivalent.
- Deposits in prescribed securities that either have a minimum long term credit rating of 'A' or short term rating of 'A1' from Standard & Poors or Moody Investor Services equivalent or Fitch rating equivalent;
- Interest bearing deposits/securities issued by a licensed bank, building society or credit union;
- Loan Offset products with a licensed bank;
- Investments with NSW Treasure Corp/Hourglass Investment Facility; and
- Deposits with the Local Government Investment Services ("LGIS").

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 – 3 months	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 0% 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		
Reference:	Dataworks: Policy Register	Council Policy No:	8.2	Effective Date:	16/10/2006
Min No:	06-349	Version No:	1	Review Date:	Oct 2007
Attachments:					