

Investment Policy

As at 4 August 2009



For more information contact Council on 9748 9999
or visit www.strathfield.nsw.gov.au / 65 Homebush Road, Strathfield NSW 2135

TITLE	Investment Policy		
DATE ADOPTED	20 June 1995	MINUTE	CFS 44/95
REVISED	4 August 2009	REVIEW	2012
RECORD	D/W no: 4292		
ASSOCIATED LEGISLATION	<ul style="list-style-type: none"> • Local Government Act (NSW) 1993 • Trustee Amendment (Discretionary Investments) Act 1997 • Local Government (General) Regulation 2005 		

1 Introduction

1.1 Title and Commencement

This policy is titled *Strathfield Council Investment Policy*.

1.2 Commencement

Date of Council Resolution	Minute	Details
20 June 1995	CFS 44/95	Policy adopted by Council
4 August 2009	303/09	Policy revised

1.2 Background and Purpose of Policy

The purpose of this Policy is to establish the investment risk management guidelines that Strathfield Municipal Council adopts in investing surplus funds that are not immediately required for any other purpose.

1.3 Objectives of the Policy

The objectives are to:

- ensure the security of Council funds by adopting appropriate credit and duration limits
- to ensure that Council's investments comply with legislative guidelines
- maximise earnings subject to those limits, Council's liquidity requirements and its investment time horizon.

2 Council Investment Strategy

Council's strategies in relation to its investments are:

- to maximise the returns of Council's investments within Investment Policy constraints and otherwise acceptable risk tolerances

- to set medium/long term strategic asset allocations for the investment portfolio
- to identify the most appropriate funds/investments for the investment portfolio
- to be able to measure the performance of individual investment relative to appropriate benchmarks
- to improve reporting on Council's investments and their performance.

3 Policy Statement

3.1 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 14A(2), 14C(1) & (2)
- Local Government (General) Regulation 2005 – Clause 212

3.2 Delegation

The General Manager has delegated authority to invest surplus funds.

3.3 Authorised investments

All investments must be denominated in Australian Dollars. Authorised investments are limited to:

- Local/State/Commonwealth Government Bonds, Debentures or Securities
- Interest bearing deposits with a licensed bank, building society or credit union, excluding subordinated debt obligations
- Any debentures or securities issued by a licensed bank, building society or credit union
- Loan Offset products with a licensed bank that have a maturity of not more than 200 days
- Investments with NSW Treasury Corp/Hourglass Investment Facility
- Deposits with the Local Government Financial Services Pty Ltd

3.4 Investment guidelines – credit quality, diversification and term to maturity constraints

Note that credit quality, diversification and term to maturity constraints apply at the time when an investment is first made.

3.4.1 Direct Investments

(i) Portfolio Credit Framework

The portfolio credit guidelines to be adopted will be based on the Standard & Poor's (S&P) ratings system criteria. The maximum available limits in each rating category are as follows:

Overall Portfolio Credit Limits		
Long Term Credit Ratings	Short Term Credit Ratings	Direct Securities Maximum
AAA Category	A-1+	100%
AA Category	A-2	100%
A Category	A-2	70%

BBB Category *	A-3 *	30%
Unrated Category *	Unrated *	20%

* Investments with counterparties below A Category (Long Term) and below A-2 (Short Term) are to be restricted to licensed banks, building societies and credit unions.

Maximum direct investment percentage of portfolio with one financial institution is 20%.

(ii) Counterparty Institution Credit Framework

Exposure to individual counterparties/financial institutions will be restricted by their S&P rating to that single entity, as detailed in the table below:

Individual Institution Limits		
Long Term Credit Ratings	Short Term Credit Ratings	Direct Securities Maximum
AAA Category	A-1+	20%
AA Category	A-1	20%
A Category	A-2	20%
BBB Category *	A-3 *	15%
Unrated Category *	Unrated *	10%

* Investments with counterparties below A Category (Long Term) and below A-2 (Short Term) are to be restricted to licensed banks, building societies and credit unions.

(iii) Term to Maturity Framework

The investment portfolio is to be invested with the following term to maturity constraints.

Overall Portfolio Term to Maturity Limits	
	Maximum
Portfolio % < 1 Year	100%
Portfolio % > 1 Year < 3 Years	70%
Portfolio % > 3 Years < 5 Years	50%
Portfolio % > 5 Years	25%
Individual Investment Maturity Limits	
Non Authorised Deposit Taking Institutions (ADIs)	5 years *
ADI issues rated A or above	10 years*
ADI issues non-rated	5 years*

* This will be the maximum investment term or WAL (weighted average life) for mortgage and asset backed securities.

ADI = Approved Deposit Taking Institution (i.e. Banks, Building Societies and Credit Unions).

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 subject to minimising any loss of capital that may result from compliance with this provision.

(iv) Accounting for Premiums and Discounts

From time to time financial assets may be acquired at a discount or premium to their face value. Any such discount or premium is to be taken into account in line with relevant Australian Accounting Standards.

3.4.2 Safe Custody Arrangements

Where necessary, investments may be held in safe custody on Council's behalf, as long as the following criteria are met:

- Council must retain beneficial ownership of all investments
- Adequate documentation is provided, verifying the existence of the investments.
- The Custodian conducts regular reconciliation of records with relevant registries and/or clearing systems.
- The Institution or Custodian recording and holding the assets will be:
 - Austraclear; or
 - An institution with an investment grade Standards and Poor's or Moody's rating; or
 - An institution with adequate insurance, including professional indemnity insurance and other insurances considered prudent and appropriate to cover its liabilities under any agreement.

3.4.3 Performance Benchmarks

Investment	Performance Benchmark
Cash	11 am Cash Rate
Cash Enhanced / Direct Investments	UBSA Bank Bill Index

3.5 General

- i. Except for the purpose of reducing its exposure to investment risks, Strathfield Municipal Council will not directly enter into any type of derivative transactions
- ii. Strathfield Municipal Council will not make investment decisions outside the bounds of the agreed Investment Strategy or be engaged in overly speculative investments.
- iii. Investment limits as determined in this policy are as at the date of new funds been invested.
- iv. Any investment held at the date of approval of this policy that falls outside the policy constraints may be held to maturity.

3.6 Reporting

- i. A monthly report will be provided to Council, detailing the investment portfolio in terms of performance and counterparty percentage exposure of total portfolio.
- ii. The report will also detail investment income earned versus budget year to date and confirm compliance of Council's investments within legislative and policy limits.
- iii. For audit purposes, certificates must be obtained from the banks/fund managers/custodian confirming the amounts of investment held on Council's behalf at 30th June each year.