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DRAFT INVESTMENT POLICY GUIDELINES FOR CONSULTATION

The Department is releasing the draft investment policy guidelines for consultation. The draft guidelines have been developed to provide assistance to councils with the preparation of an investment policy and the prudent and appropriate management of council's surplus funds. The draft guidelines include discussion about diversification of investments, independent financial advice and capital protection.

The Department has previously provided guidance to councils in regard to investments. On 27 November 2006 Council Circular 06-70 *Investment Requirements for NSW Councils* was issued in response to concerns that a number of councils held investments with credit ratings which were below the investment order. There were also concerns that a number of councils did not have an investment policy or a policy which had not been reviewed annually. The Circular also advised that councils, or entities acting on behalf of a council, should exercise the care, diligence and skill that a prudent person would exercise in investing council funds when investing through third parties.

On 17 August 2007 Council Circular 07-38 *Council Investments* was released to remind councils of Circular 06-70 and to draw particular attention to the need for councils to exercise prudential care when making investment decisions through third parties.

Circular to Councils 08-10 advised that investment policy guidelines would be prepared with industry consultation. Draft guidelines have now been completed and are located on the 'Publication's page of the Department's website at www.dlg.nsw.gov.au.

The Department is also examining the need for legislative change to clarify that investment decisions made by a General Manager under delegated authority are made only within the council's adopted investment policy and that variations to that policy cannot be delegated.

Councils are invited to provide comment on the draft Investment Policy Guidelines by Friday 3 July 2009 via email to investmentpolicy@dlg.nsw.gov.au.



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