



INVESTMENT POLICY

POLICY NUMBER	DATE POLICY ADOPTED	AMENDMENT DATE & MINUTE NUMBER	POLICY TYPE
02:33:2013	19 November 2013	20 October 2015 Minute 11.4.2 15 November 2016 Minute 11.4.3	Corporate
RESPONSIBLE MANAGER	RELATED POLICIES/ LEGISLTATION	STRATEGIC PLAN REFERENCE	DATE OF NEXT REVIEW
Corporate Services and Finance Manager	<i>Local Government Act 1993 section 75</i> <i>Trustee Act 1898 Part II Investments</i>	Objective 3.3 Financial Management "To secure the long term financial viability of the municipality." Strategy 3.1.9 "Support the establishment of a Community Bank for the area".	November 2017

PURPOSE	<p>The purpose of this policy is to provide a framework for the investment of Council funds at the most favourable rate of return available to it at the time having due consideration of the benefits to the local community and risk and security for that investment and ensuring that Council’s liquidity requirements are met.</p> <p>To ensure that Council exercises care, diligence and skill that a prudent person would exercise in investing Council funds.</p>
DETAILED OBJECTIVES:	<p>The objectives of this policy are:</p> <ul style="list-style-type: none"> • Preservation of capital is the principle objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters. • Investments are 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 cost due to the unanticipated redemption of an investment. • Investments achieve a market average rate of return in line with Council’s risk tolerance. • Funds are invested in accordance with Council’s legislative and common law responsibilities. <p>‘Local Bias Margin’</p> <p>A secondary objective of this policy is to support community banks with a physical presence in the municipality by preferring investment in local community banks whenever possible without significantly compromising the principal objectives above. To achieve this objective, a local bias margin of 10% will be applied when directly comparing the rate of return of a local community bank investment to a non-local-community bank investment.</p>



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An illustration of the application of this local community bank bias margin is as follows:

	Local Community Bank Investment	Non-Local-Community Bank Investment
Interest Rate Quoted	2.65%	2.9%
Plus local bias margin	0.29%	-
Local bias adjusted rate	2.94%	2.9%

In the example above, the non-local-community bank investment would be preferred without the local bias margin, but the local community bank investment would be selected after applying the local bias margin.

For the purpose of the local community bank bias margin, a local community bank investment is defined as an investment with a community bank with a branch or agency presence within the municipal boundary of Kentish. A community bank for this purpose is defined as a banking organisation that has community stakeholder partnerships and provides a significant level of philanthropic support to the Kentish community and/or its organisations

Investments are only to be placed applying local bias if the investment meets all other requirements of this policy.'

SCOPE

This policy applies to the investment of all Council funds other than as outlined below.

This policy does not apply to:

- Loans made and authorised by Council to external bodies; and
- Investments other than for the management of surplus funds (e.g. investments in associates such as Dulverton Waste Management Authority)

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1. 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.

If engaged, independent advisors shall also be required to declare that they have no actual or perceived conflicts of interest.

2. APPROVED INVESTMENTS

Approved investments comprise:

- Deposits with a Financial Institution (see Glossary for definition) having a credit rating as prescribed in section 8 below.;



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- Investment arrangements (see Glossary) accepted, guaranteed or issued by or for the Commonwealth (see Glossary) or a State (see Glossary) or a Financial Institution as prescribed in Schedule 1.1;
- Other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a Financial Institution as prescribed in Schedule 1.1;

3. PROHIBITED INVESTMENTS

This investment policy prohibits any investment carried out for speculative purposes, including but not limited to;

- Derivative based instruments (see glossary);
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

4. RISK MANAGEMENT GUIDELINES

4.1 Diversification/Credit Risk

To control the credit quality of the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category

Credit Rating

Long Term Rating (Standard & Poor's)	Short Term Rating (Standard & Poor's)	Maximum Percentage of Total Investments
AAA - (including government guaranteed deposits)	A.1+	100%
AA-	A.1	100%
A	A.2	60%
BBB -	A3	20%
Unrated	Unrated	nil



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Institutional Credit Framework

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

Long Term Rating (Standard & Poor's)	Short Term Rating (Standard & Poor's)	Maximum Percentage of Total Investments
AAA (including government guaranteed deposits)	A.1+	80%
AA	A.1	35%
A	A.2	25%
BBB	A3	10%
Unrated	nil	nil

If any of the Financial Institutions are downgraded such that they no longer fall within Council's investment policy guidelines, they will be divested as soon as practicable.

The short-term credit rating limit will apply in the case of discrepancies between short and long term ratings.

Note - Investments in the Tasmanian Public Finance Corporation ("Tascorp") are excepted.

4.2 Maturity/Liquidity Risk

The maturity profile of Council's investment portfolio should enable Council to meet planned future cash flow requirements as reflected in the annual budget and the long term financial plan.

5. PLACING DIRECT INVESTMENTS

Not less than three (3) quotations shall be obtained from authorised deposit-taking institutions whenever an investment is proposed. The best quote of the day will be successful after allowing for administrative and banking costs, as well as having regard to the limits set in this policy and to the local bias margin outlined in section 1 of this policy.

6. INVESTMENT ADVISOR

Should Council engage an investment advisor, the 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



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free to choose the most appropriate product within the terms and conditions of the investment policy.

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.

7. PERFORMANCE BENCHMARKS

The performance of Council's investment portfolio will be measured against the following benchmarks:

Investment	Performance Benchmark
Cash	11am Cash Rate
Direct Investments	BBSW 90 Day Swap Rate

8. REPORTING AND REVIEWING

Documentary evidence providing Council with legal title to the investment must be held for each investment and details thereof maintained in an Investment Register.

Certificates must be obtained from the financial institutions confirming the amounts of investments held by Council as at 30 June each year and reconciled to the Investment Register.

All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis.

Reports

A monthly report will be provided to Council. The report will detail the investment portfolio in terms of

- performance against benchmarks;
- credit risk exposure percentages;
- maturity dates; and
- where relevant, changes in market value.

9. VARIATIONS OF THIS POLICY

The General Manager is authorised to approve variations to this policy in exceptional circumstances, if the investment is to the Council's advantage and/or due to revised legislation.

Any such variations to this policy are to be listed on the next Council meeting agenda for review.

LEGISLATION

- All investments are to be made in accordance with the provisions of the *Local Government Act 1993* section 75
- All investments are to be made exercising care, diligence and skill that a prudent person of business would exercise in managing the affairs of another person in accordance with the *Trustee Act 1898* Part II Investments.



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DELEGATION OF AUTHORITY	<p>The Corporate Services and Finance Manager is responsible for the implementation and management of this policy.</p> <p>The General Manager, Corporate Services and Finance Manager and any Finance personnel, whose duties include investments and cash flow monitoring, have the authority to invest funds under this policy.</p>
REVIEW OF THIS POLICY	<p>This Investment Policy will be reviewed at least once per year or as required in the event of legislative changes or other changed circumstances.</p>
ATTACHMENTS	<p>Glossary (Interpretation)</p>



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Glossary

authorised deposit taking institution means a body corporate in relation to which an authority under subsection 9 (3) of the Banking Act (No.6 of 1959 as amended) is in force.

Commonwealth means a body corporate which, or of which the governing authority, wholly or partly comprises

- (a) a Minister of the Commonwealth of Australia; or
- (b) a person or persons appointed by the Governor General , a Commonwealth Minister or another authority or a person or persons holding office by virtue of being a member or members of another Commonwealth authority.

derivative means an arrangement or product (such as a future, option, or warrant) whose value derives from and is dependent on the value of an underlying asset, such as a commodity, currency, or security

Financial Institution means any authorised deposit taking institution (see Glossary), or the manager of any authorised deposit taking institution, authorised under the Trustee Act to receive fixed deposits.

investment arrangement means an arrangement that provides for, relates to, is directed towards or includes acquiring, consolidating, dealing with, disposing of, holding or issuing bonds, debentures, inscribed stock, shares, stock or other securities of a Commonwealth or State or a Financial Institution.

security means

- (a) debentures, stocks, shares, bonds or notes issued or proposed to be issued;
- (b) any right or option in respect of any such debentures, stocks, shares, bonds or notes; or
- (c) a prescribed interest within the meaning of section 4 (1) of the *Securities Industry (Tasmania) Code* and in particular, without limiting the generality of the foregoing, includes
- (d) bills of exchange;
- (e) promissory notes;
- (f) certificates of deposit issued by an authorised deposit taking institution; and
- (g) any money or securities for money paid into or deposited in Court to the credit of any cause, matter, or account.



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State means a body corporate which, or of which the governing authority, wholly or partly comprises

- (a) a State Minister; or
- (b) a person or persons appointed by the Governor, a State Minister or another State authority or a person or persons holding office by virtue of being a member or members of another State authority.