KING ISLAND COUNCIL

Policy

INVESTMENT POLICY

Responsible Officer: FINANCE MANAGER

Date: 20 August 2024

Review Date: 31 July 2027

1. Purpose

The purpose of this policy is to provide a framework for the investment of Council funds (cash) at the most favourable rate of return available to it at the time, having due consideration of risk and security for that investment and for ensuring that Council's liquidity requirements are met. It will also ensure that Council exercises care, diligence and skill that a prudent person would exercise in investing Council funds (cash).

2. Scope

2.1 This policy applies to the investment of Council funds with the exception of loans made and authorised by Council to external bodies.

3. Policy

3.1 Policy Statement

The underlying principles of this policy are:

- 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 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 cost due to the unanticipated redemption of an investment.
- Investments are expected to achieve a market average rate of return in line with Council's risk tolerance.
- Funds are to be invested in accordance with its legislative and common law responsibilities.

3.2 Ethics and Conflicts of Interest

Officers and Councillors should refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires officers and Councillors to disclose any conflict of interest to the General Manager.

3.3. Approved Investments

Approved investments comprise;

- Deposits with a financial institution (see glossary for definition) having a credit rating as prescribed below in section 4;

3.4. Prohibited Investments

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

- Investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution as prescribed in Schedule 11.2;
- 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 11.2.
- 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
- 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 Ratings

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+, AA & AA-	A.1	80%
A+, A & A-	A.2	50%
BBB	A3	nil
Unrated	Unrated	nil

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+	100%
AA+, AA & AA-	A.1	80%
A+, A & A-	A.2	50%
BBB	A3	nil
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 quotations shall be sought 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 detailed objectives set out in section 4 of this policy.

6. Investment Advisor

The engagement of an investment advisor is discouraged under this policy however, 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 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 conflict 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.

In line with the requirement of the Tasmanian Auditor General, certificates must be obtained from the financial institutions confirming the amounts of investments held by Council as at 30th June each year and reconciled to the Investments 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.

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.

10. Review of Policy

This policy shall be reviewed at least every three years and any amendments, if necessary shall be approved by resolution of Council.

11. Legislation, Terminology and References

11.1 Applicable legislation:

All laws in connection with Investment including but not limited to:

- *Local Government Act 1993* (TAS) s75
- *Investments Trustee Act 1898 (TAS)*

11.2 Definitions

Term	Meaning
Authorised deposit taking institution	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	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.
Councillor	An elected member of Council known as a Councillor or Alderman or otherwise meeting the definition of a 'councillor' as defined under section 3 of the *Local Government Act 1993* (TAS)
Employee	A person who carries out work for Council as an employee of Council.
Financial Institution	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.
General Manager	The general manager of Council as appointed under section 61 of the *Local Government Act 1993* (TAS).
Investment arrangement	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.
Manager/Supervisor	A person at the Workplace who is appointed to a position that has management/supervisory responsibilities for others or their appropriately nominated or authorised delegate.
Other Persons at the Workplace	A person, other than a Councillor, who carries out work in any capacity for Council, including work as: (a) a contractor or subcontractor. (b) an employee of a contractor or subcontractor.

	(c) an employee of a labour hire company who has been assigned to work at Council. (d) an apprentice or trainee. (e) a student gaining work experience; or (f) a volunteer.
Policy	Investment Policy
Security	(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.
State	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.
Workplace	A place where work is carried out for Council.

History:

Any previous policies used by Council: Policy Adopted – 13 December 2016
Res No: 157/16

POLICY VERSION AND REVISION INFORMATION

Title: Investment Policy

Policy Maintained by: Finance Manager

Policy Commencement: 20 August 2024

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Version No	Date	Resolution No	Responsible Officer
1.0	20.8.2024	216/24	Finance Manager