



# INVESTMENT POLICY

POLICY NUMBER	DATE POLICY ADOPTED	AMENDMENT DATE & MINUTE NUMBER	POLICY TYPE
	13 December 2016 Minute reference: 157/16		Council
RESPONSIBLE OFFICER	RELATED POLICIES /LEGISLATION	STRATEGIC PLAN REFERENCE	DATE OF NEXT REVIEW
Director Corporate & Community Services	s75 Local Government Act 1993 Part II – Investments Trustee Act 1898	<b>6.2 Governance</b> To provide consistent, accountable, transparent and effective governance of the King Island Council.	

<b>PURPOSE</b>	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 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.
<b>DETAILED OBJECTIVES</b>	The objectives of this policy are; <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Investments are expected to achieve a market average rate of return in line with Council’s risk tolerance.</li> <li>• Funds are to be invested in accordance with its legislative and common law responsibilities.</li> </ul>
<b>SCOPE</b>	This policy applies to the investment of Council funds with the exception of loans made and authorised by Council to external bodies.
<b>POLICY</b>	<p><b>1. Ethics and Conflicts of Interest</b></p> <p>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.</p>



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## 2. 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. Prohibited Investments

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

- 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.
- 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-	A.1	nil
A	A.2	nil
BBB -	A3	nil
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+	100%
AA	A.1	nil
A	A.2	nil
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 2 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.



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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 30<sup>th</sup> 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 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.



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	<p><b>10. Review of Policy</b></p> <p>This policy shall be reviewed at least every three years and any amendments, if necessary shall be approved by resolution of Council.</p>
<b>ATTACHMENTS</b>	Schedule 1.1 Glossary



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## Schedule 1.1 - 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.

**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;



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(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** 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.