



INVESTMENT POLICY

1.0 SCOPE

- 1.1 To provide clear direction to Council officers in relation to the investment of community funds.
- 1.2 The Policy applies to the investment of Council funds that are surplus to immediate operational requirements. It is not intended to cover investment interests in associated entities and joint authorities.

2.0 PURPOSE

- 2.1 The Investment Policy provides an appropriate decision framework for Council officers to ensure:
 - (a) Council maximises its net return on investments while maintaining an acceptable level of risk.
 - (b) Council's capital invested is to preserve (prevents any loss to the amount invested).
 - (c) The net interest costs associated with borrowing and investing are minimised.
 - (d) To ensure that cash is available as required to support planned expenditure.
 - (e) Interest rate and liquidity risks are acknowledged and responsibly managed.

3.0 POLICY STATEMENTS

3.1 Investment Strategy

- 3.1.1 Cash reserves require careful management to achieve optimum investment income and to ensure cash is available when required.
- 3.1.2 Council will manage its finances holistically and in accordance with its Financial Management Strategy.
- 3.1.3 Council's Annual Plan and Budget Estimates will be used to provide direction on the term of investments to be placed to ensure enough funds are on hand to meet all current liabilities. An assessment of Council's cash flow requirements up until the next investment maturity will be completed before new investments are purchased.
- 3.1.4 Council will ensure its investment portfolio maximises its return on investments while maintaining an acceptable level of risk and retaining flexibility in accessing funds.
- 3.1.5 Where current borrowing costs exceed the return otherwise able to be achieved on investment of funds, surplus funds may be applied to reduce the loan portfolio or to defer and/or reduce the level of new borrowings that would otherwise be required.

3.2 Delegation of Authority for Investments

- 3.2.1 Authority for the implementation of the Investment Policy is delegated to the General Manager in accordance with S.75 of the *Local Government Act 1993*.
- 3.2.2 The General Manager may delegate the authority to manage investments to an appropriately qualified senior staff member.
- 3.2.3 The investments of the Council will be managed with care, diligence and skill. Officers are to manage the investment portfolio to safeguard it in accordance with the spirit of this Policy and not for speculative purposes.

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3.2.4 Officers with delegated authority to manage investments are required to acknowledge that they have received a copy of this Policy and understand their obligations.

3.3 Risk Management & Diversification

3.3.1 When entering into investments, Council will seek to maximise the interest revenue and/or maximise the best value for our community over the long term.

3.3.2 Council's main objective in investing funds is to preserve the capital (prevent any loss to the amount invested) while gaining the most advantageous rate of return with minimum risk.

3.3.3 Council's exposure to an individual institution will be restricted by its credit rating and by ensuring Council's investment portfolio will be diversified. No more than 50% of the Council's total investment portfolio will be invested in any one institution.

3.3.4 To control the credit quality of the entire portfolio, the limits on the percentage of the portfolio exposed to any particular credit rating category must be within the following table:

Short Term Rating	Investment Maximum
A1+	100%
A1	100%
A2	50%
<i>Standard & Poors Rating Definitions: A1+ - Extremely Strong Capacity to Pay A1 - Strong Capacity to Pay A2 - Satisfactory Capacity to Pay</i>	

3.3.5 If any of Council's investments are downgraded to a rating whereby the investment no longer falls within this Policy, they will be divested at the next maturity date so as not to give rise to an unnecessary loss to Council.

3.4 Liquidity & Investment Maturity

3.4.1 Council will maintain sufficient liquidity to meet its financial obligations as and when they fall due.

3.4.2 The primary tool for deciding on how much and how long to invest is the cash flow budget. A buffer of funds will be retained in an interest bearing at call account to ensure funds are available to meet the Council's commitments.

3.4.3 Funds will be reasonably accessible and will not have maturity dates of greater than two years. Investments greater than two years need to be approved by Council.

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3.5 Reporting

- 3.5.1 An investment register must be maintained with all movements to be reconciled at least monthly. The investment register is to include:
- (a) List all investments in Council's investment portfolio;
 - (b) Current rate of return on individual investments;
 - (c) Credit Rating of Institution;
 - (d) Percentage of total portfolio allocation with each institution;
 - (e) Maturity dates; and
 - (f) Weighted average rate of return for the portfolio.
- 3.5.2 The investment register should be supported by documentary evidence clearly outlining the information disclosed in the register.
- 3.5.3 The investment portfolio must be reviewed at the time of each investment decision. Documentary evidence is to be kept supporting each investment decision and to demonstrate that the investment provides the maximum return to Council whilst working within the requirements of this Policy.

3.6 Approved Investments

- 3.6.1 Council's investments will be limited to State/Commonwealth bonds, interest-bearing deposits and deposits with the Tasmanian Public Finance Corporation (Tascorp).

3.7 Prohibited Investments

- 3.7.1 This Policy prohibits the use of leveraging (borrowing to invest) and investments carried for speculative purposes. The following investments are specifically prohibited:
- (a) Derivative-based instruments;
 - (b) Principal-only investments or securities that provide nil or negative cash flow; and
 - (c) Stand-alone securities issued that have underlying futures, option, forwards contracts and swaps of any kind.

3.8 Responsibilities

Council	Approving the investment policy and delegating the power to the General Manager for the investment of Council surplus funds.
General Manager	Responsible for approval of the investment of funds in accordance with the resolution of Council, so long as the requirements of this Policy are adhered to. The General Manager may delegate the authority to manage investments to an appropriately qualified senior staff member.
Manager Financial Services	Responsible for managing financial sustainability risks and developing appropriate control framework, including developing policies and procedures and maintaining long-term financial management strategy. Undertake cash flow projections ensuring that Councils working capital requirements are met and surplus funds are applied in accordance with this Policy.
Financial Accountant	Administer investments in accordance with this Policy. Maintain an investment schedule and ensure current contractual obligations are met. Develop an annual cash flow budget to be adopted as a part of the Annual Plan and Budget Estimates.

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Legislative Requirements:

There is no specific section of the *Local Government Act 1993* requiring the Council to make this Policy; however, the following will be taken into consideration:

The investment activities of the Council are governed by the *Local Government Act 1993*.

Related Procedures/Guidelines:

- Financial Management Strategy
- Annual Plan and Budget Estimates
- Australian Accounting Standards

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