



INVESTMENT OF COUNCIL FUNDS POLICY

Approved By: Council
Doc Controller: General Manager
File: 126

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Version: 2
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Next Review Date: 20/02/2022

1. PURPOSE

The purpose of this policy is to provide a framework for making decisions concerning what is an appropriate investment and establishing a series of limits within which Council Officers should operate.

2. SCOPE

This policy applies to all activities undertaken by the Council involving the investment of funds which are surplus to immediate operational requirements. It is not intended to cover interests in associated entities such as joint ventures.

This policy will be reviewed at least once every two years.

3. LEGISLATION

Banking Act 1959

Local Government Act 1993

4. POLICY

Under Section 75 of the *Local Government Act 1993*, the Council may invest money. The objective of this policy is to maximise the Council's return on its investments whilst ensuring the security of the funds invested. Investing money should provide a higher rate of return than what is received in operational bank accounts.

4.1 Delegation of Authority

Authority for the implementation of an Investment of Council Funds Policy is delegated by the Council to the General Manager in accordance with the *Local Government Act 1993*.

The General Manager may in turn delegate the day-to-day management of the Council's investments to Council Officers.

Council Officers delegated to manage the Council's investments shall be required to acknowledge that they have received a copy of this policy and understand their obligations in relation to it.

4.2 Investments

The Council shall only invest money (on the basis that all investments must be denominated in Australian Dollars) in the following forms of investment:

- a) any public funds or securities issued by or guaranteed by, the Commonwealth, any State of the Commonwealth or a Territory;
- b) At Call accounts and interest bearing deposits with an authorised deposit-taking institution (ADI) as defined in the *Banking Act 1959* and regulated by the Australian Prudential Regulation Authority;



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- c) Deposits with the Tasmanian Public Finance Corporation.

In addition, the Council may only deposit funds with an Australian ADI having a credit rating as prescribed in Section 4.3.

Quotations on Investments

At least three (3) written quotations shall be obtained from relevant institutions whenever a new investment is proposed. The quote should take into account minimum and maximum balances, interest rate, term of investment, administrative and banking costs as well as the limits set in this policy when determining the most favourable quote.

An assessment of the Council's cash flow requirements up until the next investment maturity date must also be completed before any new investments are proposed. Sufficient funds for monthly operation in addition to a contingency balance must be maintained in Councils' trading account each month so that no overdraft interest or fees are incurred.

Prior to the making of any new investments, secondary authorisation must be obtained from either the General Manager or another delegated Council Officer.

4.3 ADI Investment Guidelines

Surplus Council funds may be invested as follows:

Short term investments (up to 1 year)

In ADI's with a Standard and Poor's short-term credit rating of either A1 or A1+ (or equivalent rating from a different rating agency) and to the "Maximum Holding %'s" set out below.

Rating		Maximum Holding %
A1 +	Extremely Strong Capacity to Pay	100%
A1	Strong Capacity to Pay	80%

A comparison of the interest applicable to the Councils' trading account should be made prior to investing or reinvesting Council funds.

Long term investments (1 –5 years)

In ADI's with a Standard and Poor's long-term credit rating of AA- or greater (or equivalent rating from a different rating agency) and to the "Maximum Holding %'s" set out in the table below. No more than the Council's estimate of restricted funds at the preceding 30 June is to be invested long term at any given time.



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Rating		Maximum Holding %
AAA	Extremely Strong Capacity to Pay	100%
AA+		80%
AA	Very Strong Capacity to Pay	60%
AA-		40%

4.4 Prohibited Investments

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

- a) Derivative based instruments;
- b) Principal only investments or securities that provide potentially nil or negative cash flow;
- c) Stand-alone securities issued that have underlying futures, options, forward contracts and swaps of any kind; and
- d) The use of leveraging (borrowing to invest) of any investment.

4.5 Prudent Person Standard

The investments shall be managed with the care, diligence and skill that a prudent person would exercise. As trustees of public money, Council Officers are to manage the Council's investments so as to safeguard the portfolio in accordance with the spirit of this policy, and not for speculative purposes.

4.6 Ethics and Conflict of Interest

Council Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires Council 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.

4.7 Reporting and Responsibilities of Council Officers

A responsible Accounting Officer shall reconcile the investment register on a monthly basis ensuring sufficient records are maintained, including:

- a) the source and amount of money invested;
- b) particulars of the security or form of investment in which the money was invested;
- c) the term of the investment; and



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d) if appropriate, the rate of interest to be received.

A monthly report shall be provided to the Council, detailing the investment portfolio in terms of performance, investment institution and amount of each investment.

5. RELATED DOCUMENTS

DVC-POL-026 Code for Tenders and Contracts

Monthly finance report