



Investment Policy

(Policy Number – KL-FINPOL002)
(Policy Type – Council)

1 Aim

As a result of the shared services model which operates between the Latrobe and Kentish Councils, it is important that the Investment Policy of both Councils' are consistent.

When surplus funds are available the Councils' should consider investment opportunities to ensure the best return available can be achieved.

This Investment Policy details the process to be followed by the staff when considering the investment of surplus funds. The primary aim of investing activity is to achieve the most favourable rate of return, while at the same time ensuring that the funds are managed within the Councils' risk tolerance as outlined within this Policy.

The Policy aims to ensure the Councils' minimise any potential risks and that due care and diligence is used in exercising any delegation when investing funds.

2 Policy Statement

This Investment Policy has the following objectives:

- Preservation of capital with investments placed in a manner which seeks to ensure security and safeguarding of the Councils' funds, including managing credit and interest rate risk within identified thresholds and parameters.
- Investments are allocated ensuring there is sufficient liquidity to meet all reasonably anticipated cash flow requirements.
- Investments achieve a market average rate of return in line with the Councils' risk tolerance.
- Funds are invested in accordance with the Councils' legislative and common law obligations and responsibilities.

A secondary objective of this Investment Policy is to support community banks which have a physical presence within the municipal areas of either Latrobe and/or Kentish. Any decision to invest surplus funds with a community bank is not to significantly compromise the objectives outlined above. A 'local bias margin' up to 10 per cent may be applied when directly comparing the rate of return of a 'local community bank' investment to a 'non-local-community bank' investment.

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

Basis	Local Community Bank Investment	Non-Local-Community Bank Investment
Interest Rate Quoted	4.80%	5.25%
Plus local bias margin	0.48%	-
Local bias adjusted rate	5.60%	5.25%

In the example above, the ‘non-local-community bank’ investment would be preferred without the local bias margin, however 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 boundaries of either Latrobe and/or Kentish. A community bank for this purpose is defined as a banking organisation that has community stakeholder partnerships and provides a level of philanthropic support to either the Latrobe and/or Kentish communities.

Investments are only to be placed applying the ‘local bias’ if the investment meets all other requirements of this Policy.’

3 Policy Detail

Purpose	Description
Scope	This policy applies to the investment of all surplus funds.
Ethics and Conflicts of Interest	<p>Council officers will refrain from personal activities that would conflict with the proper execution and management of the Councils’ investment portfolio. Any officer with delegated responsibilities to invest surplus funds are required to disclose any conflict of interest to the General Manager.</p> <p>If engaged, independent advisors will also be required to declare whether they have any actual or perceived conflicts of interest.</p>
Approved Investments	<ul style="list-style-type: none"> • Deposits with an authorised Financial Institution (means any authorised deposit taking institution approved under Section 9 of the <i>Banking Act 1959</i>), or the manager of any authorised deposit taking institution, authorised under the <i>Trustee Act 1898</i> to receive fixed deposits, and having a credit rating within the range approved under this Policy. • Investment arrangements accepted, guaranteed, or issued by or on behalf of the Commonwealth Government, the State Government or a Financial Institution. • Other investment arrangements secured by investment arrangements accepted, guaranteed, or issued by or on behalf of the Commonwealth Government, the State Government, or a Financial Institution.

<p>Prohibited Investments</p>	<ul style="list-style-type: none"> • Derivative based instruments (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). • 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. • Any type of collateralised debt obligation investment. • Any financial investment that requires the Councils' to borrow (leverage) in order to make the investment. 																																				
<p>Risk Management Guidelines</p>	<p>To control the credit quality of the Councils' entire investment portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category:</p> <table border="1" data-bbox="475 801 1369 1220"> <thead> <tr> <th>Long Term Rating (Standard & Poor's)</th> <th>Short Term Rating (Standard & Poor's)</th> <th>Maximum Percentage of Total Investments</th> </tr> </thead> <tbody> <tr> <td>AAA - (including government guaranteed deposits)</td> <td>A.1+</td> <td>100%</td> </tr> <tr> <td>AA-</td> <td>A.1</td> <td>100%</td> </tr> <tr> <td>A</td> <td>A.2</td> <td>60%</td> </tr> <tr> <td>BBB -</td> <td>A3</td> <td>20%</td> </tr> <tr> <td>Unrated</td> <td>Unrated</td> <td>nil</td> </tr> </tbody> </table> <p>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:</p> <table border="1" data-bbox="475 1317 1369 1736"> <thead> <tr> <th>Long Term Rating (Standard & Poor's)</th> <th>Short Term Rating (Standard & Poor's)</th> <th>Maximum Percentage of Total Investments</th> </tr> </thead> <tbody> <tr> <td>AAA (including government guaranteed deposits)</td> <td>A.1+</td> <td>80%</td> </tr> <tr> <td>AA</td> <td>A.1</td> <td>35%</td> </tr> <tr> <td>A</td> <td>A.2</td> <td>25%</td> </tr> <tr> <td>BBB</td> <td>A3</td> <td>10%</td> </tr> <tr> <td>Unrated</td> <td>nil</td> <td>nil</td> </tr> </tbody> </table> <p>If any Financial Institution is downgraded such that they no longer fall within the Councils' Investment Policy guidelines, any investments held will be divested as soon as practicable.</p> <p>The short-term credit rating limit will apply in the case of discrepancies between short and long term ratings.</p>	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	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
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	Investments in the Tasmanian Public Finance Corporation (“TasCorp”) are excepted.						
Maturity/Liquidity Risk	The maturity profile of Councils’ investment portfolio will enable the Councils’ to meet planned future cash flow requirements as reflected in the Annual Budget and the Long Term Financial Plan.						
Placing Investments	Not less than three (3) quotations shall be obtained from authorised deposit-taking institutions whenever an investment is being proposed. The best quote will be successful after allowing for administrative and banking costs, as well as having regard to the limits set under this policy and in relation to the ‘local bias margin’.						
Investment Advisors	<p>Should the Councils’ engage an Investment Advisor, the Advisor must be licensed by the Australian Securities and Investment Commission and approved by the General Manager.</p> <p>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 this Investment Policy.</p> <p>Any 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.</p>						
Performance Benchmarks	<p>The performance of the Councils’ investment portfolio will be measured against the following benchmarks:</p> <table border="1"> <thead> <tr> <th>Investment</th> <th>Performance Benchmark</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>11am Cash Rate</td> </tr> <tr> <td>Direct Investments</td> <td>BBSW 90 Day Swap Rate</td> </tr> </tbody> </table>	Investment	Performance Benchmark	Cash	11am Cash Rate	Direct Investments	BBSW 90 Day Swap Rate
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Reporting and Review	<p>Documentary evidence providing the Councils’ with legal title to the investment must be held for each investment and details maintained in the Investment Register.</p> <p>Certificates must be obtained from the financial institutions confirming the amounts of investments held by the Councils’ as at 30 June each year and reconciled to the Investment Register.</p> <p>All investments are to be appropriately recorded in the Councils’ financial records and reconciled at least monthly.</p> <p>Reports</p> <p>A report will be provided to each Council monthly. The report will detail the investment portfolio in terms of:</p> <ul style="list-style-type: none"> • performance against benchmarks; • credit risk exposure percentages; • maturity dates; and • where relevant, changes in market value. 						

Variations to the Investment Policy	<p>The General Manager is authorised to approve variations to this policy in exceptional circumstances, but only if the investment outcome is to the Councils' advantage and/or due to revised legislation.</p> <p>Any variations approved by the General Manager are to be advised to both Councils' on their respective next available meeting agenda.</p>
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4 Associated Documents and References

4.1 Local Government Act 1993 Reference

75 Investments

A council may invest any money –

- (a) in any manner in which a trustee is authorised by law to invest trust funds; and*
- (b) in any investment the Treasurer approves.*

4.2 Other Legislation Reference

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

4.3 Strategic Plan Reference

The Latrobe Council Strategic Plan 2020-2030 provides the following objective and strategy:

Area	1	Governance and Organisational Development
Program	1.2	Governance
Objective	1.2	Provide consistent, accountable, transparent and effective governance
Strategy	1.2.9	Ensure Council information meets community and stakeholder interests, is accessible, easy to understand and complies with legislative requirements

The Kentish Council Strategic Plan 2014-2024 provides the following objective and strategy:

Area	1	Governance and Organisational Development
Program	1.1	Advocacy and Leadership
Objective	1.1	To provide leadership for the community and advocate on its behalf to improve the economic, social and environmental wellbeing of the Kentish Council area.
Strategy	1.1.9	Support the establishment of a Community Bank for the area.



APPROVED BY LATROBE COUNCIL: 12 February 2024

Minute: 12.2

APPROVED BY KENTISH COUNCIL: 23 January 2024

Minute: 12.1

EFFECTIVE DATE LATROBE COUNCIL: 12 February 2024

EFFECTIVE DATE KENTISH COUNCIL: 23 January 2024

ADMINISTERED BY: General Manager

This policy will be reviewed periodically to ensure its relevance in terms of community needs and expectations and Council goals, targets, budget and statutory requirements.