

# Policy

**Title:** Investment of Council Funds

**Category:** Corporate Governance

**Date Last Adopted:** 24 August 2020

## 1. Objectives

To maximise the Council's return on its investments, subject to the satisfaction of the criteria of safety and security, liquidity, and ethical nature.

## 2. Background

The permitted methods of investment of Council funds are defined within the *Local Government Act 1993 (Tas)*. The below policy outlines the Council processes within legislated parameters.

## 3. Policy

### 1. Scope

The Council has the following funds;

Nature of Funds	Purpose	Underlying Investments	Benchmark
Working Capital – Transactional Funds including “at call” funds*	To provide sufficient cash to meet the day to day financial obligations of City of Hobart in a timely manner	Cash and at call funds	N/A
Investment Funds	Funds that are surplus to working capital and are available for longer term investment	Term Deposits with a maximum maturity of 12 months	90 Day Bank Bill Swap Rate (BBSW)

Heritage Funds*	To fund grants to owners of heritage properties in order to help facilitate the maintenance of heritage properties in Hobart	Cash, Australian Equities & International Equities	Composite of:- S&P ASX 300 Acc MSCI Total Acc ex AUS UBS Warburg Bank Bill
-----------------	--	--	---

\*The Transactional Funds and Heritage Funds are outside the scope of this policy.

## 2. Criteria for Investment

- (i) Safety and Security – Security of the ratepayer’s capital is a primary consideration in all investment decisions.
- (ii) Liquidity – Investments must be managed to ensure that sufficient funds are available to meet cash requirements as they fall due.
- (iii) Ethical in Nature – the Council commits to investing 100% of its Investment Funds in non-fossil fuel aligned financial institutions.
- (iv) Rate of Return – Subject to the three preceding considerations, Council will aim to maximise its return.

## 3. Expected Rate

The performance benchmark is the 90 day Bank Bill Swap Rate (BBSW).

## 4. Delegated Authority

The Director City Governance and Chief Financial Officer are delegated authority to invest according to Section 75 of the *Local Government Act 1993*, from the Council through the General Manager.

## 5. Investment Guidelines

- (i) Section 75 of the *Local Government Act 1993*, will be complied with at all times.
- (ii) Investments may be made for any period up to a maximum of one year.
- (iii) Investments can only be made with Authorised Deposit-taking Institutions (ADI’s) regulated by the Australian Prudential Regulation Authority, in products where the underlying assets are cash.
- (iv) Exposure to ADI’s with a Standard and Poors short-term credit rating of A1 or A1+ (or equivalent from a different rating agency) is limited to \$7,000,000.
- (v) Exposure to ADI’s with a Standard and Poors short-term credit rating of A2 (or equivalent from a different rating agency) is limited to \$3,000,000.
- (vi) Where an ADI is a subsidiary of another and has its own credit rating, the

two institutions shall be treated as separate and subject individually to the exposure limits above.

- (vii) Where an ADI is a subsidiary of another, and is a non-fossil fuel aligned institution, but the parent company is a fossil fuel aligned institution, the subsidiary will be regarded as a fossil fuel aligned institution.
- (viii) For any fixed term investment, whether new or rollover, quotes must be sought from a minimum of three ADI's. Investment decisions must be documented.
- (ix) Any investment outside of the investment guidelines contained within this policy must be referred to the Finance and Governance Committee for prior approval.

#### **6. Provision of Information to Elected Members**

- (i) Details of all current investments are to be provided to any elected member upon request and are to be included in the quarterly financial report provided to the Finance and Governance Committee.

## **4. Legislation, Terminology and References**

*Section 75 of the Local Government Act 1993 (Tas)*

City of Hobart Delegations Register

<b>Responsible Officer:</b>	Director City Enablers
<b>Policy first adopted by the Council:</b>	13/11/1995
<b>History</b>	
Amended by Council	13/06/2000
Amended by Council	28/07/2008
Amended by Council	24/10/2011
Amended by Council	08/09/2014
Amended by Council	27/04/2015
Amended by Council	07/03/2016
Amended by Council	18/12/2017
Amended by Council	23/09/2019
Amended by Council	24/08/2020
<b>Next Review Date:</b>	Within 2 years of last review.
<b>File Reference:</b>	F16/65293