



ELECTED MEMBER POLICY

Title	INVESTMENT OF AVAILABLE FUNDS		
Responsible Director	Director, Finance		
Adoption Date	27/08/2018	Review Date	2019

1 Purpose

This policy, in accordance with the Local Government Investment Guidelines, provides guidelines for Council employees to invest funds not immediately required to meet the liquidity requirements of Alice Springs Town Council, with the exception of Trust Funds.

2 Statement of policy

Council's available funds are to be invested with consideration of risk and at the most favourable rate of interest available at the time, for that investment type, ensuring that Council's liquidity requirements are met. While exercising the power to invest, consideration is to be given to the preservation of capital, liquidity and the return on investment. Preservation of capital is the principal objective of the investment portfolio. Investments are to be made in a manner that seeks to ensure the security and safeguarding of the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.

The investment portfolio must ensure that there is sufficient liquidity to meet all reasonably anticipated cash flow requirements as and when they fall due, without incurring significant costs due to the unanticipated redemption of an investment.

The investment is expected to achieve a predetermined market average rate of return that takes into account Council's risk tolerance.

Council's investments will be managed as in accordance with the Prudent Person Rule requiring the person managing the investment to exercise the same care, diligence and skill that a prudent person would exercise in managing the affairs of others. The investment portfolio is managed so as to safeguard the portfolio and not with a view for speculative purpose. "Speculative purpose" means a deal deliberately taking a higher risk in the hope of making an extraordinary gain.

The person responsible for approving investments is Director, Finance after consultation with Manager, Finance and Senior Finance Officer. Acceptable instruments for investment are:

- Authorised Deposit Taking Institutions (ADI) interest bearing deposits such as bank accounts and term deposits
- State/Commonwealth Government Bonds.

All investment carried out for speculative purposes is prohibited including:

- 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
- The use of leveraging (borrowing to invest).

All investments must be in the name of Alice Springs Town Council. If using the services of an investment advisor or broker, Council must ensure that ownership is retained.

All investments must be denominated in Australian dollars.

3 Policy Objectives and requirements

3.1 Risk profile

Alice Springs Town Council's risk profile in relation to investing surplus funds is to be relatively prudent, conservative and risk averse. The profile will be achieved by effectively managing within the investment portfolio:

- the diversity of the investments
- the creditworthiness of the investments.

Diversity is achieved by placing limits on the maximum exposure Council may have to individual:

- funds or financial institutions
- credit rating bands.

Creditworthiness of investments is primarily determined using the short term credit and fund Industry Standard Credit Ratings of Standard & Poors (S&P) or Moody's and Fitch.

3.2 Risk Management

Investments obtained must comply with key criteria as indicated below relating to:

- Overall Credit Limits - limit overall credit exposure of the portfolio
- Credit Framework - limit exposure to individual counterparty/institutions
- Term to Maturity Framework - limits based upon maturity of securities
- Investments entered into must be structured to minimise risk of loss of principal
- Conditions relating to grant funding available to invest must be complied with
- Trust funds are excluded from this policy as they must be kept in a separate bank account in accordance with s120 of the Local Government Act.

3.3 Credit Framework

To control the credit quality of Council's investment portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

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Exposure to an individual ADI will be restricted by its credit rating so that single entity exposure is limited as detailed below:

S&P Short Term Rating	Total Portfolio Investment Maximum %	Per ADI
A-1+	100%	70%
A-1	45%	60%
A-2	25%	30%
<A-2	10%	10%

3.4 Term to Maturity Framework

The investment portfolio is to be invested within the following maturity constraints taking into account Council's cash flow requirements and the best interest rates available.

Overall Portfolio Term to Maturity Limits	
Portfolio % < 1 Year	100%

3.5 Benchmarking

The benchmark for an investment is determined by the current available interest rates from various ADIs for the same investment period.

3.6 Environmentally and socially responsible investments

Subject to compliance with legislation and Council's investment purpose, statement and risk management parameters, Council prefers investment securities and financial institutions that meet certain socially responsible investments criteria. Socially responsible investing (SRI), also known as sustainable, socially conscious, "green" or ethical investing, is any investment strategy which seeks to consider both financial return and social/environmental good to bring about a positive change.

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SRI status may be in respect of the individual investment, the issuer of the investment, or both and should be endorsed by an accredited environmentally and socially responsible industry body or institution.

Environmentally and socially responsible investments will be assessed on the same basis as other investment opportunities and the council will select the investment that best meets its overall investment selection criteria i.e. purpose, statement and risk management parameters.

Whereas SRI is preferred, it may not necessarily be appropriate in all cases. Environmentally productive activities are considered to be:

- resource efficiency (especially water and energy)
- renewable energy
- production of environmentally friendly products
- recycling
- waste and emissions reduction.

Socially productive activities are considered to be:

- fair trade and provision of a living wage
- human health and aged care
- equal opportunity employers, and those that support the values of communities, indigenous peoples and minorities
- provision of housing, especially affordable housing.

Environmentally harmful activities are considered to be:

- production of pollutants, toxins and greenhouse gases (coal, oil and gas)
- habitat destruction, especially destruction of forests and marine eco-systems.
- nuclear power
- uranium mining.

Socially harmful activities are considered to be:

- abuse of Human Rights and Labour Rights
- involvement in bribery/corruption
- production or supply of armaments
- manufacture of alcohol, tobacco or gambling products.

3.7 Reporting

A monthly report must be provided to Council in support of the monthly statement of activity. The report must detail the investment portfolio in terms of performance against budget, percentage exposure of total portfolio and maturity date.

Documentary evidence must be held for each investment and details thereof maintained in an investment schedule/register.



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Certificates must be obtained from the financial institutions confirming the amounts of investments held on Council's behalf as at 30 June each year and reconciled to the investment register.

4 Review

This policy will be reviewed at least once a year or as required in the event of legislative changes.

5 Council policy superseded

This policy supersedes all previous versions of policy 515 Investment Policy.