

1. POLICY CERTIFICATION

Policy title:	Investment Policy
Policy number:	FIN011
Category:	Policy
Classification:	Finance
Status:	Approved

2. PURPOSE

The main purpose of this Policy is to maintain an investment policy for Roper Gulf Regional Council that complies with the Act and ensures it or its representatives to exercise care, diligence and skill that a prudent person would exercise in investing council funds.

3. SCOPE

This policy applies to all Councillors and Council staff and extends to all investment activities of Council and any controlled entities.

4. POLICY STATEMENT

The main objective of this policy is to provide a framework for making decisions concerning appropriate investment of Roper Gulf Regional Council's funds. This policy will assist Council on optimising its return on investment of surplus funds, in accordance with its prevailing investment strategy, in a prudent and measurable manner, specifically by:

- entering into investment types which comply with prevailing Legislative and Accounting Code requirements;
- ensuring 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 sale of an investment;
- establishment of risk management guidelines based upon overall credit rating of the portfolio, exposure limits to individual institutions and term to maturity limits; and
- use of appropriate benchmarks for investment performance measurement.

When placing investments, cash flow considerations will be made to the time horizons of Council's liabilities to best match appropriate investments for the funds.

5. DEFINITIONS

Council	Roper Gulf Regional Council
RGRC	Roper Gulf Regional Council

6. PRINCIPLES

6.1 Legislation

All investments are to be made in accordance with:

- Section 121 (1) of the Local Government Act, which states that “a council may invest money not immediately required for the purposes of the Council”.
- Local Government (Accounting) Regulations
- Prevailing Ministerial Investment guidelines – Local Government Act Ministerial Guideline 4
- Australian Accounting Standards

6.2 Prudent Person Standard

The investment will be managed with the care, diligence and skill that a prudent person would exercise. Staffs are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Investment Policy, and not for speculative purposes.

6.3 Ethics and Conflicts of Interests

All the employees of Roper Gulf Regional Council shall refrain from personal activities that would conflict with the proper execution and management of Council’s investment portfolio. This policy requires staff to disclose any conflict of interest to the Chief Executive Officer.

6.4 Delegation of Authority

In accordance with Section 32(2) of the Local Government Act Council has delegate the authority for implementation of the Investment Policy to the Chief Executive Officer. Resolution by Council is not required for investments that are:

- Local/State/Commonwealth Government Bonds, Debentures or Securities;
- Interest bearing deposits issued by an authorized deposit taking institution (ADI)
- Bank accepted/endorsed bank bills;
- Bank negotiable Certificate of Deposits; and
- As approved by Minister

All other investments are subject to Council resolution. All investments are subject to the investment limits as stated in this policy.

6.5 Mandatory Conditions

All investments must comply with the mandatory conditions as follows:

- All investments must be made in the name of Roper Gulf Regional 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.

6.6 Prohibited Investments

This policy prohibits any investment carried out for speculative purposes 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, forward contracts and swaps of any kind

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

6.7 Risk Management Guidelines

Risk can never be completely mitigated and no investment is risk free. This policy outlines the limits on investments that assist in mitigating risk within Council’s control without unnecessary detrimental impact on investment returns.

Investments are to comply with key criteria relating to :

- a) Credit Risk: limit overall credit exposure of the portfolio
- b) Counterparty Credit Risk: limit exposure to individual counterparties/ institutions
- c) Maturity Risk: limits based upon maturity of investments
- d) Protection of Principal: investments entered into should be structured to minimise the risk of loss of principal
- e) Grant Funding Conditions: conditions related to grant funding available to invest must be complied with.

7. INVESTMENT LIMITS

7.1 Term of Maturity

Council’s investments should be able to be liquidated in a timely manner with minimal loss or penalty. The term to maturity of any investment may range from “at call” to one year. The maximum term for any investment should not exceed **one (1) year** without specific Council approval.

7.2 Liquidity Requirements

The term of investments must also take into account Council’s liquidity requirements and the portfolio must be structured so that there are always sufficient funds available to meet weekly cash requirements.

7.3 Credit Ratings

Credit ratings are a guide or standard for an investor, which indicate the ability of a debt issuer or debt issue to meet the obligations of repayment of interest and principal. Credit rating agencies such as Moody’s, Standard and Poor’s (S&P) and Fitch Rating make these independent assessments based on a certain set of market and non-market information.

Ratings in no way guarantee the investment or protect Council against investment losses. The prescribed ratings should not be misinterpreted as an implicit guarantee of investments or entities that have such ratings. Even given this challenge, ratings provide the best independent information available.

The following table provides a comparison of the rating equivalents between the different rating agencies:

Standard & Poor's		Moody's		Fitch	
Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
A1+	AAA	P1	Aaa	F1	AAA
A1+	AA+	P1	Aa1	F2	AA
A1+	AA	P1/P2	Aa2	F2	AA
A1+	AA-	P1/P2	Aa3	F2	AA
A1	A+	P1/P2	A1	F2	A
A1	A	P1/P2	A2	F2	A
A2	A-	P1/P2	A3	F3	A
A2	BBB+	P2	Baa1	F3	BBB
A2	BBB	P3	Baa2	F3	BBB
A3	BBB-	P3	Baa3	F3	BBB

To limit overall credit exposure of the portfolio and exposure to individual counterparties/institutions, Council has placed the following limits on portfolio credit ratings:

Long Term Rating (S&P or equivalent)	Short Term Rating (S&P or equivalent)	Maximum Percentage of Total Investments
AAA to AA-	A1+	100%
A+ to A-	A1	45%
BBB+ to BBB-	A2	25%
BB+ to D	-	10%

If the credit rating of any institution or investment is downgraded and, as a result, the investment no longer falls within the policy guidelines it will be divested as soon as it is practical.

7.4 Diversification

To ensure diversification of the investment portfolio and reduce risk without affecting returns, Council has placed the following limits on investing with individual financial institutions:

Financial Institution	Minimum Percentage of Total Investments	Maximum Percentage of Total Investments
Major Banks	15%	100%
Regional Banks	0%	45%
Credit Unions, Building Societies, Other ADIs	0%	45%

- Major Banks – shall include but not limited to ANZ, National Australia Bank, Westpac Bank and the Commonwealth Bank.
- Regional Banks – shall include but not limited to Suncorp-Metway, Bendigo & Adelaide Bank, Bankwest, Citibank and Bank of Queensland.

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- Credit Unions, Building Societies & Other ADIs – shall include but not limited to Australian Central Credit Union, Savings & Loans Credit Union, Territory Insurance Office and NT Treasury.

With the exception of investments which are guaranteed by the Commonwealth or the Territory, the amount invested with any one financial institution shall not exceed 40% of the entire investment portfolio.

8. Administration of Policy

8.1 Investment Register

Council shall maintain an up to date Investment Register supported by appropriate documentary evidence for each investment held.

For audit purposes, certificates must be obtained from the financial institutions confirming the investments held on the Council’s behalf as at 30 June each year and reconciled to the Investment Register.

8.2 Reporting

A monthly investment report will be provided to the Council including the details as follows:

- total cash and investments held
- list of investments by financial institution,
- percentage exposure to individual financial institutions,
- adherence to the investment limits set in this policy,
- investment portfolio performance against established benchmarks, including budget.

8.3 Benchmark

The performance of the investment portfolio shall be compared to the BBSW Bank Bill Swap Rate.

8.4 Independent Review

The performance and value of the investment portfolio and conformity with the investment policy should be reviewed by an independent financial advisor on an annual basis or more often if required.

8.5 Variations to Policy

The Chief Executive Officer is authorised to approve temporary variations to the policy if required by legislative changes. All changes to the policy will be reported to Council within 30 days. All other variations to the policy are required to be authorised by Council.

9. REFERENCES

Acknowledgements (original author/source documents)	Local Government Guideline 4 - Investments
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FIN011 – Investment Policy

Related Policies	FIN001 – Financial Delegation Manual FIN006 - Accounting Policy and procedures manual
Related Publications	

10. DOCUMENT CONTROL

Policy number	FIN011
Policy Owner	Finance Manager
Endorsed by	
Date approved	29/08/2012
Revisions	19/07/2016
Amendments	
Next revision due	July 2018

11. CONTACT PERSON

Position	Manager Governance, Corporate Planning & Compliance
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