

# INVESTMENTS POLICY

## FIN14

<b>Policy Title:</b>	Investments Policy		
<b>Policy Type:</b>	Corporate-Finance		
<b>Policy Owner:</b>	Council		
<b>Policy Custodian:</b>	Executive Director Corporate Services		
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### Purpose

The purpose of this policy is to provide the framework for investing monies surplus to operational or other necessary requirements. It is prudent to maintain an investment policy where monies are not immediately required for the purposes of the council. The policy is to remain consistent with the *Local Government Act 2019* including any Minister’s guidelines (see LGA section 194(3)-(4)).

### Scope

This policy applies to West Daly Regional Council. The policy is intended to remain consistent with the Local Government Act, as well as other legislative requirements and regulations, as well as complement any other relevant policies, procedures or guidelines.

### Policy Statement

#### 1. Principles

- 1.1. Council will canvass the market in order to determine the best investment options for investment, with a predetermined or estimated rate of return for each parcel of funds.
- 1.2. Investment options are to be tested and considered in terms of a factors, including minimising risk, maximising returns, associated risk, and budgetary requirements.
- 1.3. Investment options should be subject to intermittent review and testing.

#### 2. Intent and Outcomes

- 2.1. The intent of this policy is to support the following outcomes:
  - a) Council’s investments are in authorised investment types and allocations
  - b) Capital losses must be avoided by minimising credit risk (risk of default) and market risk (interest rate risk)
  - c) Identify the range of approved and prohibited investments

- d) Ensure that the investment portfolio is structured to provide sufficient liquidity to meet all reasonably anticipated cash flow requirements.

### **3. Prudent person rule**

- 3.1. Council is to follow the prudent person rule, which requires officers of Council to exercise the same care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. Acting prudently applies to selecting investments and requires the individual to consider diversification, appropriateness of the product, risk and anticipated return, liquidity, independent financial advice and to have a clear understanding of the product.

### **4. Authorised Investments**

- 4.1. Investments are to be denominated in Australian Dollars (AUD). Authorised investments are generally confined to Term deposits with Council's current banking provider and authorised deposit taking institutions (ADI). Other investments beyond cash-based where the purpose is for an expected rate of return on the investment (e.g. acquisition of property as an investment) may be considered.

### **5. Prohibited investments**

- 5.1. Prohibited investments include:
  - a) Subordinated bank debt
  - b) Derivative based investments
  - c) Principle only investments
  - d) Standalone securities issued that have any underlying futures, options, forward contracts and swaps of any kind
  - e) Shares of any kind
  - f) Crypto currencies or non-fungible tokens
  - g) Any speculative investment.

### **6. Investment Limits and ranges**

- 6.1. Investments in cash must be able to be liquidated in a timely or agreed manner. Generally Term Deposits require an agreed maturity date. The term to maturity may range from 'at call' to a maximum of one year. Any investment cash or beyond cash that is in excess of (1) year requires specific Council approval. The term of investments must take into account Council's liquidity requirements and the portfolio must be structured so that there are always sufficient funds available to meet short-term cash requirements.

### **7. Reporting**

- 7.1. A monthly report will be provided to the Council detailing the cash and investments held by Council including:
  - a) Balances of investments held
  - b) Term deposit rates and maturity bands

## References

The *Local Government Act (NT)*

*Local Government (General) Regulations 2021*

*Australian Accounting Standards*

## Definitions

In the context of this policy, the following definitions apply:

Term	Definition
Authorised Investment	This is a Council investment, authorised in accordance with NTG legislation and regulations and this policy.
Prudent Person Rule	This rule requires Elected Members and officers to exercise the same diligence and skill that a prudent person would exercise in managing the affairs of other persons. In terms of selecting investments it requires an individual to consider diversification, appropriateness of the product, risk and anticipated return, liquidity, independent financial advice, but also to have a clear understanding of the product. Under no circumstance must an individual make a speculative investment.
Authorised deposit-taking institution (ADI)	This is a financial institution licensed by the Australian Prudential Regulatory Authority (APRA) to carry on banking business, including accepting deposits from the public.

## Review History

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2.0	30/01/2019	FIN14	Investments Policy	013/2019
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