



# Investment Policy

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<b>Policy Type:</b>	Council
<b>Policy Owner:</b>	Director Corporate and Financial Services
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<b>Legislative Reference:</b>	Chapter 4.1 (Division 2), Chapter 10.1 & 10.2; Section 168, Section 40, Section 193 & Section 194, of the Local Government Act 2019
<b>Related Documents:</b>	Credit Card Policy

## 1. Purpose

The Investment Policy establishes the guidelines that Groote Archipelago Regional Council adopts in investing surplus funds not required to meet immediate liquidity needs apart from trust funds.

## 2. Principles

To invest Council's funds with consideration of risk and at the most favourable rate of interest available to it at the time for the investment type. While exercising the power to invest, consideration is to be given to preservation of capital, liquidity and the return on investment.

Primary objectives of the policy are:

- Preservation of capital; capital losses should be avoided by minimising credit risk (risk of default), market risk (risk that changes in interest rates will adversely affect the fair value of the investment) and through diversification or investment issuers
- Ensure that funds are invested in accordance with legislative requirements
- Identify the range of approved and prohibited investments
- Set boundaries for exposure to the risks associated with investments
- Ensure capital protection for Council funds
- Ensure that Council maintains adequate control of its investments
- Ensure that the investment portfolio is structured to provide sufficient liquidity to meet all reasonably anticipated cash flow requirements and
- Establish a framework for monitoring investments.

### 3. Application of Policy

*Trust Funds are excluded from this policy as they must be kept in a separate bank account as per the requirements of Section 193 of the Local Government Act 2019.*

#### 3.1. Authorised Persons

##### **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 at the first Ordinary meeting of Council following the date of the changes. All other variations to the policy are required to be authorised by Council.

##### **Delegation of Authority**

In accordance with Section 40 (2) of the Local Government Act 2019, Council has delegated the authority for implementation of the Investment Policy to the Chief Executive Officer. In accordance with Section 168 of the Local Government Act 2019 the Chief Executive Officer has delegated implementation and management of the Investment Policy to the Corporate Services Manager.

##### **The Prudent Person Rule**

The Prudent Person Rule requires officers 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 an 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.

##### **Ethics and Conflicts of Interest**

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires officers to disclose any conflict of interest to the Chief Executive Officer

#### 3.2. Authorised Investment

Section 194 (1) of the Local Government Act 2019 states that "a Council may invest money not immediately required for the purposes of the Council".

Section 194 (5) of Local Government Act 2019 Council's involved in investment activities must be in accordance with Council's policy

Without approval by resolution of Council, investments are limited to:

- State/Commonwealth Government Bonds; and
- Interest bearing deposits such as bank accounts and term deposits.

All investments are subject to the Investment Limits stated in this policy.

### **Mandatory Conditions**

There are certain mandatory conditions that all investments must comply with:

- All investments must be in the name of Groote Archipelago 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.
- All investments must be placed with an authorised deposit taking institution (ADI) and through a licensed financial services institution with a current Australian Financial Services License issued by the Australian Securities and Investment Commission.

### **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; and
- 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.

### **Professional Advice**

Professional advice must be considered for all investments other than term deposits.

### **Risk Management Guidelines**

Investments are to comply with key criteria relating to:

- Credit Risk: limit overall credit exposure of the portfolio
- Counterparty Credit Risk: limit exposure to individual counterparties/ institutions
- Maturity Risk: limits based upon maturity of investments
- Protection of Principal: investments entered into should be structured to minimise the risk of loss of principal
- Grant Funding Conditions: conditions held within grant funding agreements relating to grant funding available to invest, must be complied with.

### **3.3. Investment Portfolio Limits**

#### **Term to Maturity**

Investments must 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.

### **Liquidity Requirements**

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

### **Diversification**

To ensure diversification of the investment portfolio and reduce risk without affecting returns, investing with individual financial institutions must be as follows:

<b>Type of Institution</b>	<b>Minimum Percentage/Amount of Total Investments</b>	<b>Maximum Percentage of Total Investments</b>
Major Banks	15%	100%
Regional Banks	0%	45%
Credit Unions, Building Societies, Other ADIs	0%	45%

*Major Banks - including but not limited to ANZ, National Australia Bank, Westpac Bank and the Commonwealth Bank.*

*Regional Banks - including but not limited to Adelaide Bank, Bank of Queensland, Bankwest, Bendigo Bank, Citibank, ME Bank, Suncorp-Metway, and St George Bank.*

*Credit Unions, Building Societies & Other ADIs - including but not limited to People's Choice Credit Union, Traditional Credit Union, Savings & Loans Credit Union and NT Treasury.*

Apart from 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.

## **3.4. Monitoring & Reporting of Investments**

### **Investment Register**

Council must keep 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 of 30 June each year and reconciled to the Investment Register.

### **Reporting**

A monthly investment report will be provided to Council containing the following:

- List of investments by financial institution;
- Total cash and investments held;
- Percentage exposure to individual financial institutions;
- Adherence to the investment limits set in this policy; and

- Investment portfolio performance against established benchmarks including budget.

### **Benchmark**

The performance of the investment portfolio shall be compared to an indicator that is most relevant to the investment portfolio. For Council's current investment portfolio, it will be the Cash Rate.

### **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. This refers to all investments other than term deposits.

### **Investment Advisor**

The council's investment advisor must hold an Australian Financial Securities Licence issued by the Australian Securities and Investment Commission and their appointment as advisor must be approved by resolution of Council.

The advisor approved by council resolution 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 the investment policy. The advisor must be representative of a recognised reputable firm of investment advisor.

### **Investment Procedures**

The Investment Procedures supplement this policy and define the procedures that officers must adhere to when managing investments including but not limited to authorisation, placements, redemption and investment.

## **4. Version Control**

<b>Version</b>	<b>Amendment History</b>
1.0	