



Victoria Daly
REGIONAL COUNCIL

1. INTRODUCTION

1.1. Purpose

The policy sets forth the particular circumstances under which Council may invest surplus funds and the principles involved in the investments.

1.2. Scope

This policy applies across all of Council.

1.3. Policy Objectives

To invest Council's surplus funds, with consideration of risk and at the most favourable rate of interest available at the time for that investment type, while ensuring that Council's liquidity requirements are being met. While exercising the power to invest, consideration is to be given to preservation of capital, liquidity, and the return of 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 there is sufficient liquidity to meet all reasonable anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.
- The investment is expected to achieve a predetermined market average rate of return that takes into account the Council's risk tolerance. Any additional return target set by Council must also consider the risk limitation and prudent investment principles.

2. POLICY STATEMENT

2.1. Policy Outline

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



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- 2.1.2. Staff shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. Any conflict of interest must be disclosed to the Chief Executive Officer.
- 2.1.3. Consideration should be given to applying any funds that are not immediately required to meet approved expenditure to reduce Council's level of borrowings or to defer and or reduce the level of new borrowings that would otherwise be required.
- 2.1.4. Funds should be invested in a manner which allows those funds to maximise interest earned for as long as possible but retain flexibility in accessing the funds for Council purposes.
- 2.1.5. Consideration should be given to retaining a buffer of funds in an interest bearing at call account to ensure sufficient funds are available to meet Council's commitments.
- 2.1.6. Unless Council by resolution determines differently, investments are limited to:
- State/Commonwealth Government Bonds;
 - interest bearing deposits such as bank accounts and term deposits, including the Territory Insurance Office;
 - bank accepted/endorsed bank bills;
 - commercial paper (a loan of less than 270 days backed by assets such as loans or mortgages);
 - bank negotiable Certificate of Deposits; and
 - managed funds with a minimum long term Standard & Poor (S&P) rating of "A" and short term rating of "A2".
 - All investments are to be made in Australian dollars and in Australia.
- 2.1.7. 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, option, forwards contracts and swaps of any kind,

The use if leveraging (borrowing to invest) is also prohibited.



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2.1.8. Investments obtained must comply with key criteria as indicated in sections 2.2 to 2.4 below:

2.2. Overall Portfolio Limits

2.2.1. To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum %	Managed Fund Maximum %
AAA	A-1+	100%	100%
AA	A-1	100%	100%
A	A-2	60%	80%

2.3. Counterparty Credit Framework

2.3.1. Exposure to an individual counterparty/institution will be restricted by its credit rating so that single entity exposure is limited, as detailed in the table below:

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum %	Managed Fund Maximum %
AAA	A-1+	45%	50%
AA	A-1	35%	45%
A	A-2	20%	40%

2.3.2. If any of Council's approved investments are downgraded such that they no longer fall within approved credit rating category documented within the investment policy, they must be divested as soon as practicable. Investments fixed for greater than 12 months are to be approved by Council and reviewed on a regular term and invested for no longer than 5 years.



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2.4. Term to Maturity Framework

2.4.1. The investment portfolio is to be invested within the following maturity constraints:

Overall Portfolio Term to Maturity Limits	
Portfolio % < 1 year	100% Max; 40% Min
Portfolio % < 1 year	60%
Portfolio % < 3 years	35%
Portfolio % < 5 years	25%
Individual Investment Maturity Limits	
ADI	5 years
Non ADI	3 years

2.4.2. Council's investment advisor, if one is to be appointed, must hold an Australian Financial Securities Licence issued by the Australian Securities and Investment Commission and their appointment as an 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 advisors.

2.4.3. The investment return for the portfolio is to be annually reviewed by an independent financial advisor by assessing the market value of the portfolio. The market value is to be assessed by Council at least once a month to coincide with monthly reporting.



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2.4.4. Performance benchmarks are to include:

Investment	Performance Benchmark
Cash	Cash Rate
Enhanced/Direct Investments	UBSWA Bank Bill
Diversified	CPI + appropriate margin over rolling 3 year periods (depending upon composition of fund)

2.4.5. A monthly report must be provided to Council and to the Audit and Risk Management Committee on each alternative month when Council does not usually sit. The report must detail the investment portfolio in terms of performance, percentage exposure of the total portfolio, maturity date and changes in market value.

2.4.6. An Investment Strategy should be reviewed at least six monthly by an independent investment advisor with a more formal view annually. The Strategy should outline:

- Council's cash flow expectations;
- optimal target allocation of investment types, credit rating exposure and term to maturity exposure and;
- appropriateness of overall investment types for Council's portfolio.

2.4.7. Documentary evidence must be held for each investment and details thereof maintained in an Investment Register. Certificates must be obtained from the financial institutions confirming the amounts of investments held on Council's behalf as at 30th June each year and reconciled to the Investment Register.

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