



Name	FIN14 Investment Policy
Policy Type	Council
Responsible Officer	General Manager Business Excellence
Approval Date	7/12/2021
Review Date	8/12/2026

1. Purpose

This Investment Policy establishes Litchfield Council's approach to investing funds not required to meet immediate liquidity needs.

2. Scope

This policy applies to all investment decisions relating to Council's surplus funds.

3. Definitions

For the purposes of this Policy, the following definitions apply:

ADI	Authorised Deposit-Taking Institution. Since the Banking Act of 1959, a bank or financial institution must be an ADI if it is to accept deposits from members of the public. That means that banks need an ADI license to offer any of the following: Term deposits
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4. Policy Statement

Council is required to ensure that there are proper policies and procedures in place to safeguard its assets in accordance with the local government legislation. An investment policy is essential to these requirements.

In 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 reasonably 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.

4.1. Prudent Person Standard

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

4.2. Ethics and Conflicts of Interest

Staff 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 CEO.

4.3. Approved Investments

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

- Interest bearing deposits such as bank accounts and term deposits;

4.4. Prohibited Investments

This investment 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, forwards contracts and swaps of any kind. This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

4.5. Risk Management Guidelines

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

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

4.5.1. 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%

4.5.2. Counterparty Credit Framework: 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%

If any of the 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.

4.5.3. 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 year	35%
Portfolio % > 5 year	25%
Individual Investment Maturity Limits	
ADI	5 years
Non ADI	3 years

4.6. 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 advisors.

4.7. Measurement

The investment return for the portfolio is to be annually reviewed by councils' auditors as part of councils annual financial statement year-end audit. The market value is to be assessed by Council at least once a month to coincide with monthly reporting.

4.8. Benchmarking

Performance benchmarks (must be established here in this policy).

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)

4.9. Reporting and Review

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, percentage exposure of total portfolio, maturity date and changes in market value.

An Investment Strategy must run in conjunction with the investment policy. (The Investment Policy and Strategy may be presented as one document). The investment strategy must be reviewed by 'councils' auditors as part of councils annual financial statement year-end audit. The Strategy must 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.

4.9.1 This Investment Policy will be reviewed before next review date or as required in the event of legislative changes. 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 the Council's behalf as at 30 June each year and reconciled to the Investment Register.

5. Associated Documents

Accounting Policy Manual

6. References and Legislation

Northern Territory Local Government Act
Northern Territory Local Government Regulations
Australian Accounting Standards
Ministerial Guidelines
Local Government General Instructions

7. Review History

Date Reviewed	Description of changes (Inc Decision No. if applicable)
10/04/2012	Approved
11/10/2012	Amendments made.
13/12/2017	Policy in new template, rescind LC10
07/12/2021	Policy reviewed