

POLICY

TITLE:	Investment Policy		
DIRECTORATE:	Council		
ADOPTED BY:	Council Resolution: OMC-24/355		
DATE OF ADOPTION:	29 November 2024	DATE OF REVIEW:	29 November 2026
POLICY NUMBER:	128		
LEGISLATIVE REF:	<i>Local Government Act 2019; Part 10.2</i> <i>Local Government Regulations 2021; Section 18</i>		

1. INTRODUCTION

1.1. Purpose

The Policy outlines the particular circumstances under which Barkly Regional Council (BRC) may invest surplus funds; as well as the principles which apply to such investments in accordance with the Local Government Act and any Ministerial Guidelines which may apply.

1.2. Scope

This Policy applies across all of Council operations.

1.3. Definitions

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. Under no circumstances must an individual make an investment for speculative purposes.

1.4. Responsibilities

All persons within scope of this Policy are required to adhere to this Policy and its associated procedures.

The Chief Executive Officer (CEO) is accountable for the overall management of this Policy.

1.5. Policy Objectives

- 1) To ensure that any Investment occurs in accordance with this Policy.
- 2) While exercising the power to invest, Council must give due consideration to the preservation of capital, liquidity and return on investment.
- 3) This Policy aims to ensure that the investment of surplus Council funds occurs in consideration of risk and the most favourable terms available for the investment type.
- 4) This Policy aims to ensure that Council's liquidity requirements are met.

2. POLICY STATEMENT

2.1 Policy

- 1) Council or its local government subsidiaries may invest money not immediately required for the purposes of the council or local government subsidiary.
- 2) Preservation of capital is the principal objective of Council's 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.
- 3) Investments will be acquired with the intention of holding them to maturity, and cash liquidity requirements will be managed to ensure that
- 4) 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.
- 5) The investment is expected to achieve a predetermined market average rate of return that considers Council's risk tolerance. Any additional return target set by Council must also consider the risk limitation and prudent investment principles.
- 6) 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.
- 7) This Policy prohibits any investment carried out for speculative purposes including:
 - a. derivative based instruments;
 - b. principal only investments or securities that provide potentially nil or negative cash flow; or
 - c. stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.
- 8) The use of leveraging (borrowing to invest) is also prohibited under this Policy.

3. INVESTMENT STRATEGY

- 1) An Investment Strategy must be prepared and reviewed at least six monthly by the Finance Committee with a review annually by an independent investment advisor. The Investment Strategy should outline:
 - a. Council's cash flow requirements and implications for the portfolio liquidity profile
 - b. optimal target allocation of investment types, credit rating exposure, counterparty exposure and term to maturity exposure
 - c. appropriateness of overall investment types for Council's portfolio
 - d. current and projected market conditions and any impacts on relative positioning in terms of the portfolio and any necessary policy implications
 - e. relative return outlook; risk-reward considerations; assessment of the market cycle and hence constraints on risk
 - f. projected investment portfolio size for the forthcoming year

4. INVESTMENT PRINCIPLES AND REQUIREMENTS

- 1) All investments must be managed with the care, diligence and skill in accordance with the prudent person rule (as defined).
- 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.
- 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.

- 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.
- 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.
- 6) Unless Council by resolution determines differently, investments are limited to:
 - a. State/Commonwealth Government Bonds;
 - b. interest bearing deposits such as bank accounts and term deposits, including the Territory Insurance Office;
 - c. bank accepted/endorsed bank bills;
 - d. commercial paper (a loan of less than 270 days backed by assets such as loans or mortgages;
 - e. bank negotiable Certificate of Deposits; and
 - f. managed funds with a minimum long term Standard & Poor (S&P) rating of "A" and short term rating of "A2".
 - g. All investments are to be made in Australian dollars and in Australia.

5. OVERALL PORTFOLIO LIMITS

- 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%

6. COUNTERPARTY CREDIT FRAMEWORK

- 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%

- 1) If any of Council's approved investments are downgraded such that they no longer fall within approved credit rating category documented within this Policy, they must be divested as soon as practicable.

7. TERM TO MATURITY FRAME

- 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

8. PERFORMANCE BENCHMARKS

- 1) 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)

9. APPOINTMENT OF AN INVESTMENT ADVISOR

- 1) The appointment of an Investment Advisor (if any) to Council must be approved by resolution of Council.
- 2) Any Investment Advisor appointed must hold an Australian Financial Securities License issued by the Australian Securities and Investment Commission; and must represent a recognised and reputable firm of investment advisors.
- 3) The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended; and who is free to choose the most appropriate product within the terms and conditions of this Policy.
- 4) 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.

10. REPORTING AND DOCUMENTARY EVIDENCE

- 1) A monthly report must be provided via the CEO to Council and to the Finance Committee on each alternative month when Council does not usually sit.
- 2) The report must contain the following information:
 - a. List of investments by financial institution
 - b. Total cash and investments held
 - c. Percentage exposure to individual financial institutions
 - d. Adherence to the investment limits set in this Policy
 - e. Investment portfolio performance against established benchmarks, including budget.
 - f. Maturity dates
 - g. detail the investment portfolio in terms of performance, percentage exposure of the total portfolio, maturity date and changes in market value.
 - h. Changes in market value
- 3) Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.
- 4) 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.

11. POLICY BREACHES AND GRANDFATHERING

- 1) If any investment is made in breach to this Policy, that instrument will be divested as soon as it is practical (considering the costs and benefits of doing so). This will also apply to any investment that is downgraded and as a result no longer falls within Policy guidelines.
- 2) Any investment purchased when compliant with the Investment Policy may be held to maturity or sold as Council believes best, dependent on the individual circumstances, so long as the risk management strategy for the investment is in accordance with the principles and requirements of this Policy, the prevailing legislation and the prudent person principles.

- 3) Specifically, Grandfathering will apply to any investment that:
- a. was made ineligible by a previous change to the external legislation if that change allows for grandfathering
 - b. is made ineligible as a result of a change to this investment policy
 - c. is in breach of the investment policy due to a change of circumstance. (e.g. because the investment has been downgraded or has had its credit rating withdrawn post purchase)
 - d. due to a change of portfolio size or composition (e.g. because the overall portfolio size has decreased and as a result the percentage of total portfolio limit which applies to individual remaining investments increases and therefore causes a breach)".

12. RELEVANT POLICIES

Policies and procedures to be read in conjunction with this policy are:

- 1) Investment Register
- 2) Financial Management Policy
- 3) Codes of Conduct
- 4) Conflicts of Interest Policy

13. IMPLEMENTATION AND REVIEW

13.1. Implementation

Relevant personnel will be made aware of this Policy. It is not a requirement under the Act to publish this Policy or its Register on the Barkly Regional Council website.

13.2. Review

This policy will be reviewed on or before 29 November 2026.

14. VARIATIONS, REVOCATIONS AND/OR CHANGES

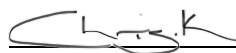
Barkly Regional Council reserves the right to revoke and/or amend this policy from time to time as is considered necessary to better manage its business and/or to comply with any legislative requirements. Employees will be given sufficient notice of any such revocations, amendments, or changes.

15. APPROVAL

This policy is approved.

Chris Kelly

Chief Executive Officer



Signature

29 Nov 2024

Dated

END