

Policy Name	Investments
Policy Type	Finance
Policy Number	FIN14
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SUMMARY

The Local Government Act in regard to investments, states:

- (1) A council may invest money not immediately required for the purposes of the council.
- (2) The Minister may, after consultation with the Treasurer, issue investment guidelines from time to time.
- (3) An investment must be consistent with guidelines in force at the time the investment is made.

The Minister has issued a guideline on investments and this policy details a set of guiding principles to ensure the sound management of the existing and future investments of West Daly Regional Council and to comply with legislation and the guideline.

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.

1. 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.

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2. 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.
3. 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.

POLICY STATEMENT

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.

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.

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.

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.

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.

Unless Council by resolution determines differently, investments are limited to:

1. State/Commonwealth Government Bonds;
2. Bank accepted/endorsed bank bills;
3. Commercial paper (a loan of less than 270 days backed by assets such as loans or mortgages);

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4. Bank negotiable Certificate of Deposits; and
5. Managed funds with a minimum long term Standard & Poor (S&P) rating of "A" and short term rating of "A2".

Any investment carried out for speculative purposes is prohibited including:

1. Derivative based instruments;
2. Principal only investments or securities that provide potentially nil or negative cash flow; and
3. Stand-alone securities issued that have underlying futures, option, forwards contracts and swaps of any kind,

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

Investments obtained must comply with key criteria as indicated below relating to: credit exposure of the portfolio

Portfolio Credit Framework: limit overall credit exposure of the portfolio

Counterpart Credit Framework: limit exposure to individual counterparties/institutions.

- Term to Maturity Framework: limits based upon maturity of securities;
- Protection of Principal: investments entered into must be structured to minimise risk of loss of principal;
- Grant Funding Conditions: conditions relating to grant funding available to invest must be complied with.

Overall Portfolio Limits

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.

TERMINOLOGY AND REFERENCES

REFERENCES

Local Government Act

FURTHER INFORMATION:

Chief Executive Officer

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