

Investment Policy

FA10-CP Superseding OP253

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1. Purpose

The purpose of this policy is to ensure effective measures and controls are in place to regulate the investments of MacDonnell Regional Council's (MRC) surplus funds.

2. Scope

This policy applies to all investments of surplus funds made by MRC.

3. Objectives

The policy objectives are:

- 3.1. To ensure that MRC's surplus funds are invested with consideration of risk and ensuring liquidity requirements are met.
- 3.2. To provide a framework to preserve and safeguard capital in the investment portfolio through management of risks.
- 3.3. To ensure compliance with legislative requirements.

4. Statement

4.1. General

4.1.1. All investments are to comply with the following legislative requirements:

- a. Local Government Act
- b. Local Government Regulations
- c. Local Government (Accounting) Regulations
- d. Minister Guidelines
- e. Australian Accounting Standards

4.2. Other Requirements

4.2.1. Prudent Person Standard

- a. The investment will be managed with the care, diligence and skill that a prudent person would exercise.
- b. Employees to manage and safeguard the investment portfolios in line with this policy and not for speculative purposes.

4.2.2. Ethics and Conflicts of Interest

- a. Employees shall refrain from personal activities that would conflict with the proper execution and management of MRC's investment portfolio.
- b. This policy requires employees to disclose any conflict of interest in line with MRC policy.

4.2.3. Approved Investments

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

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

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- 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".

4.2.4. Prohibited Investments

This investment 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; and
- c. Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.
- d. The use of leveraging (borrowing to invest) of an investment.

4.3. Presenting investment opportunities to Council

Prior to presenting investing opportunities to the Council, MRC employees must:

- 4.3.1. Ensure that the market has been canvassed to provide the best investment options and returns.
- 4.3.2. Predetermine or estimate the rate of return for each investment.
- 4.3.3. Consider community benefit, by maximising returns and minimising risk.
- 4.3.4. Take into associated risks and budgetary requirements.
 - a. Ensure that sufficient funds are available to meet financial obligations as they fall due.
- 4.3.5. Provide the following information for the Council to consider:
 - a. Type of investment
 - b. The amount to be invested
 - c. Term of investment

4.4. Risk Management

4.4.1. 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.

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4.5. Overall Portfolio Limits

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

4.6. Investment Advisor

4.6.1. When an investment adviser is required, the Council's investment advisor utilised must hold an Australian Financial Securities License issued by the Australian Securities and Investment Commission.

4.6.2. Appointment of advisor must be approved by resolution of the Council.

4.6.3. The advisor approved by council resolution must be an independent person who has no actual, potential or perceived 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.

4.6.4. The advisor must be representative of a recognised reputable firm of investment advisors.

4.7. Benchmarking

4.7.1. 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)

4.8. Reporting and Review

4.8.1. Except for term deposits with an Australian bank, a monthly report must be provided to Council in support of the monthly statement of activity.

4.8.2. The report must detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date and changes in market value.

4.8.3. Except when the investment portfolio only consists of term deposits with a major Australian bank, the investment strategy must be reviewed by an independent investment adviser every year. 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.

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4.8.4. Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.

4.8.5. 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. Policy Details

Replaces Policy No: (if applicable)	OP253 Investment Policy
Responsible Directorate/Department:	Corporate Services - Finance
Approval Date:	30 April 2021
Minutes Reference and Resolution number:	Item # 15.1 Resolution OCM2021-045
Review Cycle:	April 2025. Review every four (4) years or after changes to relevant legislation or Council policy

6. Legislation and References

Related Legislation:	Norther Territory Government 2019 Act. Norther Territory Government 2019 Local Government Regulations. Australian Accounting Standards
Related Policies:	
Associated Documents:	

7. Version Control

Version No	Approval Date	Policy No.	Minutes reference and Resolution number (previous version)
1	30 April 2021	FA10-CP	OCM2012-10-26 Item # 11.2