

Investment Policy



Title: Investment Policy

Policy no: 59

Next review date: 28 August 2026

Adopted by: Council

Responsibility: Chief Financial Officer

Version	Decision number	Adoption date	History
1	Resolution 25 of 26/02/2020	26/02/2020	Version 1
2	Resolution OCM/6	28/08/2024	Version 2

Purpose

The Tiwi Island Regional Council (TIRC) Investment Policy aims to ensure it or its representatives exercise the care, diligence and skill that a prudent person would exercise in investing council funds and abide by all legislative requirements.

Scope

This policy applies to all Councillors and Council officers and extends to all investment activities of Council and any controlled entities.

Policy statement

The main objective of this policy is to provide a framework for making decisions concerning the appropriate investment of Tiwi Islands Regional Council's funds. This policy will assist Council with optimising its return on investment of surplus funds, following its investment strategy prudently and measurably, specifically by:

entering into investment types that comply with prevailing Legislative and Accounting Code requirements;

- ensuring that 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;
- establishment of risk management guidelines based upon the overall credit rating of the portfolio, exposure limits to individual institutions and term to maturity limits; and
- use of appropriate benchmarks for investment performance measurement.

Principles

4.1 Legislation

All investments are to be made in accordance with:

- Local Government Act 2019 Section 194
- Local Government (General) Regulations 2021
- Australian Accounting Standards

4.2 Prudent Person Standard

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

4.3 Ethics and Conflicts of Interests

All the employees of Tiwi Islands Regional Council 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 Chief Executive Officer.

4.4 Delegation of Authority

In accordance with Section 167 of the Local Government Act (2019), Council has delegated the authority for the implementation of the Investment Policy to the Chief Executive Officer. Resolution by Council is not required for investments that are:

- Local/State/Commonwealth Government Bonds, Debentures or Securities;
- Interest-bearing deposits issued by an authorised deposit-taking institution (ADI)
- Bank accepted/endorsed bank bills;
- Bank negotiable Certificate of Deposits; and
- As approved by the Minister.

All other investments are subject to Council resolution. All investments are subject to the investment limits as stated in this policy.

4.5 Mandatory Conditions

All investments must comply with the mandatory conditions as follows:

- All investments must be made in the name of the Tiwi Islands Regional Council. If using the services of an Investment Advisor or Broker, Council must ensure that ownership is retained.
- All investments must be denominated in Australian dollars.

4.6 Prohibited Investments

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
- Stand-alone securities issued that have underlying futures, options, forward contracts and swaps of any kind
- Foreign Owned Banks.

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

4.7 Risk Management Guidelines

Risk can never be wholly mitigated, and no investment is risk-free. This policy outlines the limits on investments that assist in mitigating risk within Council's control without unnecessarily impacting investment returns.

Investments are to comply with criteria relating to:

1. Credit Risk: limit overall credit exposure of the portfolio;
2. Counterparty Credit Risk: limit exposure to individual counterparties/ institutions;
3. Maturity Risk: limits based upon maturity of investments;
4. Protection of Principal: investments entered into should be structured to minimise the risk of loss of principal; and
5. Grant Funding Conditions: conditions related to grant funding available to invest must be complied with.

Investment limits

5.1 Term of Maturity

Council's investments should be able to be liquidated in a timely manner with minimal loss or penalty. The term to maturity of any investment may range from "at call" to one (1) year. The maximum term for any investment should not exceed one **(1) year** without specific Council approval.

5.2 Liquidity Requirements

The term of investment must also take into account the Council's liquidity requirements, and the portfolio must be structured so that there are always sufficient funds available to meet weekly cash requirements.

5.3 Credit Ratings

Credit ratings are a guide or standard for an investor, which indicates the ability of a debt issuer or debt issue to meet the repayment obligations of interest and principal. Credit rating agencies such as Moody's, Standard and Poor's (S&P) and Fitch Rating make these independent assessments based on a specific set of market and nonmarket information.

Ratings in no way guarantee the investment or protect Council against investment losses. The prescribed ratings should not be misinterpreted as an implicit guarantee of investments or entities that have such ratings. Even given this challenge, ratings provide the best independent information available.

The following table provides a comparison of the rating equivalents between the different rating agencies:

Standard & poor's		Moody's		Fitch	
Short term	Long term	Short term	Long term	Short term	Long term
A1+	AAA	P1	Aaa	F1	AAA
A1+	AA+	P1	Aa1	F2	AA
A1+	AA	P1/P2	Aa2	F2	AA
A1+	AA-	P1/P2	Aa3	F2	AA
A1	A+	P1/P2	A1	F2	A
A1	A	P1/P2	A2	F2	A
A2	A-	P1/P2	A3	F3	A
A2	BBB+	P2	Baa1	F3	BBB
A2	BBB	P3	Baa2	F3	BBB
A3	BBB-	P3	Baa3	F3	BBB

To limit overall credit exposure of the portfolio and exposure to individual counterparties/institutions, Council has placed the following limits on portfolio credit ratings:

Long term rating (S&P or equivalent)	Short term rating (S&P or equivalent)	Maximum percentage of total investments
AAA to AA-	A1+	100%
A+ to A-	A1	50%
BBB+ to BBB-	A2	35%

If the credit rating of any institution or investment is downgraded and, as a result, the investment no longer falls within the policy guidelines, it will be divested as soon as it is practical.

5.4 Diversification

To ensure diversification of the investment portfolio and reduce risk without affecting returns, Council has placed the following limits on investing with individual financial institutions:

Financial Institution	Minimum percentage of total investments	Maximum percentage of total investments
Major banks	15%	100%
Regional banks	0%	45%
Credit unions, building societies, other ADI's	0%	45%

- Major Banks - shall include but not limited to ANZ, National Australia Bank, Westpac Bank and the Commonwealth Bank.
- Regional Banks - shall include but not limited to Suncorp Bank Bendigo & Adelaide Bank, Bankwest, Citibank and Bank of Queensland.
- Credit Unions, Building Societies & Other ADIs - shall include but not limited to Australian Central Credit Union, Savings & Loans Credit Union, Territory Insurance Office and NT Treasury.

With the exception of investments that are guaranteed by the Commonwealth or the Territory, the amount invested with any one financial institution shall not exceed 45% of the entire investment portfolio.

Administration of policy

6.1 Investment Register

Council shall maintain an up-to-date Investment Register supported by appropriate documentary evidence for each investment held.

For audit purposes, certificates must be obtained from the financial institutions confirming the investments held on the Council's behalf as at 30 June each year and reconciled to the Investment Register.

6.2 Reporting

A monthly investment report will be provided to the Council, including the details as follows:

- total cash and investments held
- list of investments by financial institution
- percentage exposure to individual financial institutions
- adherence to the investment limits set in this policy
- investment portfolio performance against established benchmarks, including budget

6.3 Benchmark

The performance of the investment portfolio shall be compared to the BBSW Bank Bill Swap Rate.

6.4 Variations to Policy

The Chief Executive Officer is authorised to approve temporary variations to the policy if required by legislative changes. All changes to the policy will be reported to Council within 30 days. All other variations to the policy are required to be authorised by Council.

Evaluation and review

This policy should be evaluated on the basis that the Audit Committee is satisfied that it has been and is being implemented.

This policy is to be reviewed every two (2) years, and may be reviewed at other times at the discretion of Chief Executive Officer.