



Tiwi Islands Regional Council

Title: Investment Policy
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Adopted By: Council
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Responsibility: Chief Financial Officer
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Version	Decision Number	Adoption Date	History
1	Resolution 25 of 26/2/2020	26/2/2020	Version 1

1 Objectives

Preservation of capital is the principal objective of the investment portfolio. Investments are to be placed in a manner that safeguards the investment portfolio. This includes managing credit and interest rate exposure risk within identified thresholds and parameters.

Other objectives include:

- to maximise the return to Council in line with all requirements of the policy;
- to comply with the legislative requirements and regulations relevant to the management of Council's investments;
- to ensure sufficient liquidity to meet all cash flow requirements;
- to establish a framework for monitoring investments. Investments are expected to achieve a market average rate of return in line with Council's risk tolerance.

2 Legislation

All investments are to comply with the following:

- Local Government Act 2008; and
- Ministerial Guidelines 4;
- Australian Accounting Standards.

3 Other requirements

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.



Tiwi Islands Regional Council

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.

Approved Investments

All investments must be denominated in Australian Dollars. Authorised Investments are limited to:

- State/Commonwealth Government Bonds, Debentures or Securities;
- Interest bearing deposits such as bank accounts and term deposits/ securities issued by a licensed bank, building society or credit union;
- Managed Funds with a minimum long term Standard & Poor (S&P) rating of "A" and short term rating of "A2"; and
- Other investments authorised under, the *Local Government Act 2008* and Ministerial Guidelines and any subsequent revisions of those Guidelines.

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.

3 Risk management guidelines

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

- a) Portfolio Credit Framework: limit overall credit exposure or 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.

a) 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.

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%

b) 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.

c) Term to maturity framework

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



Tiwi Islands Regional Council

4 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.

5 Benchmarking

The following performance benchmarks apply:

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)

6 Reporting

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.

Documentary evidence must be held for each investment and 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 Council's record.

7 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 four (4) years, and may be reviewed at other times at the discretion of Chief Executive Officer.