

Name:	Investment		
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Responsible Officer:	Director Corporate Services		
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1 PURPOSE

This policy stipulates the mandatory requirements for the management of Council's cash and investment portfolio under legislative restrictions. The policy is designed to safeguard Council's cash and investment portfolio, achieve appropriate earnings and ensure sufficient liquidity to meet Council's business objectives over the long, medium, and short term.

2 PRINCIPLES

The City of Palmerston is committed to maximising appropriate investment returns under the constraints of legislation, whilst maintaining a conservative risk/return portfolio. All activities in regards to Council's investments and cash are exercised with the care, diligence and skill of a prudent person, and not for speculative purposes.

Investments are to be made in a manner that seeks to ensure the security and safeguarding of the investment portfolio, whilst ensuring cash flow requirements are met as and when they fall due, and Council's risk tolerance is taken into account.

3 DEFINITIONS

For the purposes of this Policy, the following definitions apply:

Term	Definition
Credit Risk	This is the risk of default by a counterparty and subsequent loss of capital or interest due from that counterparty.
Liquidity Risk	This is the risk that investments cannot be readily sold for "fair value" due to a lack of buyers. This could result in Council receiving less than full face value for an investment if needed to sell any investment prior to maturity.
Market Risk	This is the risk that the price of investments varies with market conditions such that the "fair value" is less than the amount paid for the investment by Council and Council may need to accept a loss should Council wish to sell the investment either prior to or at maturity. Market risk can also result in trading profits for Council should the market conditions move favourably resulting in a price increase for the investments held.

4 POLICY STATEMENT

4.1 Risk Management

The risk of all assets included in the investment portfolio must be known, measurable and acceptable to Council.

4.1.1 Risk Appetite is the amount and type of risk Council is prepared to pursue to take. It is based on Council's objectives and describes the 'comfort zone' Council wants to

operate in. Risk Appetite draws a line between acceptable and unacceptable risk. Risk Appetite has to be within the risk capacity of an organisation. Risk Capacity is the amount of risk Council can afford to take, bear or sustain.

Council's Risk Appetite Statements for Investments activities:

Council has little or no appetite for risks that foreseeably may:

- Have a significant negative impact on Council's long term financial sustainability or assets
- Compromise the safety and welfare of staff, contractors and/or members of the community
- Constitute major legal noncompliance, or result in significant successful litigation against Council
- Significantly disrupt delivery of essential services
- Cause significant and irreparable damage to the environment
- Result in widespread and sustained damage to Council's reputation

Council has some appetite for risks that maintain and improve levels of service to the community, or that improve efficiency, reduce costs and/or generate additional income sources, so long as the tangible benefits from treating the risks are higher than the most cost-effective treatment costs, and there are no higher net benefit opportunities within Council's risk capacity.

4.1.2 Risk Management Guidelines

Council has to be aware and manage the market risk, credit risk and liquidity risk of the investment portfolio. To cover for risk the following frameworks have been established and decisions to invest are to comply with those. If any of Council's investments are downgraded such that they no longer fall within the investment policy requirements, they will be divested as soon as practicable but in a manner that does not give rise to an unnecessary loss to Council.

4.1.2.1 Portfolio Credit Framework

The Portfolio Credit Framework limits overall credit exposure of the investment portfolio. The limits on the percentage of the portfolio exposed to any particular credit rating category must be complied with as outlined in the following credit framework table.

Rating Table								
	Short Term <= 12 months				Long Term > 12 months			
Standard & Poor	A1	A2	A3	B	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-
Moody's	P1	P2	P3	NP	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3
Fitch	F1	F2	F3	B	AAA to AA-	A+ to A-	BBB+ to BBB	BB+ to BB-
Maximum Limit – as % of total Investment Portfolio	100%	80%	50%	10%	100%	80%	30%	5%

If a counterparty has different ratings with different rating agencies the most recent rating shall be applied.

4.1.2.2 Counterparty Credit Framework

The Portfolio Credit Framework limits exposure to individual counterparties/institutions by its credit rating so that single entity exposure is limited, as detailed below.

Rating Table								
	Short Term < = 12 months				Long Term > 12 months			
Standard & Poor	A1	A2	A3	B	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-
Moody's	P1	P2	P3	NP	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3
Fitch	F1	F2	F3	B	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-
Maximum Limit - as % of total Investment Portfolio	Unlimited	60%	40%	5%	Unlimited	50%	25%	5%

If a counterparty has different ratings with different rating agencies the most recent rating shall be applied.

4.1.2.3 Term to Maturity Framework

The Term to Maturity Framework limits based upon maturity of securities. All investments have to be invested within the maturity constraints identified in the table below.

% of Total Investment Portfolio		
Duration	Minimum	Maximum
< = 12 months	50%	100%
>1 year < = 3 years	0%	50%
>3 years < = 5 years	0%	25%
>5 years	0%	10%

4.1.3 Risk determination Property Investment Portfolio

In respect to investment return decision, Council will apply the following table in determining the appropriateness of property investment and development activities.

Level of Risk	Benchmark above 90day BBSW
Low	<2%
Medium	2% to 5%
High	5% to 10%
Speculative	>10%

In determining the level of risk Council is to consider the following, as a minimum:

- Council experience in the proposed type of development;
- Nature of tenancies;
- Funding sources;
- Term asset is to be held;
- Recent precedence.

4.2 Delegated Authorities

Under Section 101 of the Local Government Act the Chief Executive Officer is responsible to ensure that Council's assets and resources are properly managed and maintained. Delegated signatories for investments that do not require Council approval under this policy are the Chief Executive Officer, Director Corporate Services and Finance Manager.

Investment recommendations require at least three competitive quotations that are in line with Council's policies. Quotations are obtained by a responsible financial officer delegated by the Finance Manager. The responsible officer must be capable of understanding and explaining how an investment product works and must be able to interpret existing Council policies. Investment

recommendations are approved by one of the delegated signatories. The release of funds will require approval in line with the Financial Delegation Policy before funds are released to the counterparty.

4.3 Prudent Person Rule

The investments of Council will be managed with the care, diligence and skill that a prudent person would exercise. Officers are to manage the investment portfolio to safeguard it in accordance with the spirit of this policy and not for speculative purposes.

4.4 Ethics and Conflict of Interest

All staff involved in the investment process must refrain from activities, personal or otherwise, that would conflict with the proper execution and management of Council's Investment Portfolio. This policy requires all staff involved in the investment process to:

- Disclose in writing any actual, apparent or potential conflict of interest to the Chief Executive Officer;
- Avoid any actual, apparent or potential conflict of interest; and
- Control any actual, apparent or potential conflict of interest.

An independent advisor, where appointed, is also required to declare that they have no actual or perceived conflicts of interest.

4.5 Prohibited Investments

This policy prohibits any investments carried out for speculative purposes including:

- Derivative based instruments;
- Principle only investments or securities that provide potentially nil or negative cash flow;
- Standalone securities issued that have underlying futures, options, forward contracts and swaps of any kind;
- Share in an unlisted company, or contribute capital to an unlisted trust, unless the Minister in consultation with the Treasurer, approves the acquisition of such share;
- The use of leveraging (borrow to invest) of an investment other than a property investment;
- Complex financial instruments that are not in line with the conservative risk appetite of Council;
- Any kind of investments with counterparties without a credit rating.

Investments must not be made unless in accordance with Council's policies and/or Council resolution.

4.6 Approved Investments

4.6.1 Legal Name of Investments

All investment must be in the name of the City of Palmerston. Additionally, the City of Palmerston must be the beneficial owner of all investments.

4.6.2 Denomination

All investments must be denominated in Australian Dollars.

4.6.3 Documentary Evidence

Documentary evidence must be held for each investment and details thereof must be maintained in an Investment Register. The Finance Manager is responsible for the accurate, complete and timely maintenance of the Investment Register.

4.6.4 Authorised Investments

Authorised investment will be limited to:

- Any public funds or securities issued by or guaranteed by, the Commonwealth, any State or Territory of the Commonwealth;

- Interest bearing deposits with, or debentures or bonds issued by, an Authorised Deposit-taking Institution (ADI), as defined under the Banking Act 1959 (Commonwealth), but excluding debt obligations;
- Bank accepted/endorsed bank bills;
- Managed funds with a minimum long-term Standard and Poor rating of A and short-term rating of A2;
- Property development and investments.

Any authorised investments for greater than 12 months are to be approved by Council resolution.

4.7 Property Development and Investment

The overall mix and nature of investment properties will provide a balanced source of income that complement existing financial holdings. All future investment and development activities will provide a return on investment over the planned investment period. If a decision is made to accept a property investment with no return on investment, then the reasons for that decision must be outlined in the resolution relating to that investment and development activity.

All property investment activities will be undertaken in accordance with Council's long-term plan and will reflect Council's ongoing commitment to financial sustainability. Borrowing for income generating property investments may be considered in line with relevant policy.

4.8 Benchmarking

Performance benchmarks must be established for all investments held or intended to be held. The benchmarks included in the following table are to be complied with for the relevant instruments.

Investment	Performance Benchmark
Cash	Cash Rate
Enhanced/Direct Investments	UBSWA Bank Bill
Diversified	CPI + appropriate margin over rolling 3year periods (depending upon composition of funds)
Property Investment Portfolio	Review of performance, assess property's value and usefulness, compare to current cash rates

4.9 Reporting

All investments are to be appropriately recorded in Council's financial records and reconciled at least on a monthly basis. 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.

A monthly report will be provided to the elected Council as part of the monthly financial report. The report will detail the investment portfolio in terms of performance, percentage exposure of total investment portfolio, maturity date and current market value as well as other indicators. Additionally, the report will include details of limits to ensure that the investment portfolio is being managed within policy limits and in accordance with the approved strategy.

4.10 Review of Policy

This policy will be amended so as to remain current whenever relevant legislation or standards are enacted or changed. Reviews are approved by Council resolution.

5 ASSOCIATED DOCUMENTS

- 5.1 City of Palmerston Policies

6 REFERENCES AND RELATED LEGISLATION

- 6.1 Northern Territory Local Government Act
- 6.2 Northern Territory Local Government (Administration) Regulations
- 6.3 Northern Territory Local Government (Accounting) Regulations
- 6.4 Australian Accounting Standards
- 6.5 Ministerial Guidelines
- 6.6 Local Government General Instructions