

## 1. POLICY CERTIFICATION

Policy title:	Investment Policy
Policy number:	<b>FIN011</b>
Category:	<b>Policy</b>
Classification:	<b>Finance</b>
Status:	<b>Approved</b>

## 2. PURPOSE

The main purpose of this Policy is to maintain an investment policy for Roper Gulf Regional Council that complies with the Act and ensures it or its representatives to exercise care, diligence and skill that a prudent person would exercise in investing council funds.

## 3. SCOPE

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

## 4. POLICY STATEMENT

The main objective of this policy is to provide a framework for making decisions concerning appropriate investment of Roper Gulf Regional Council's funds. This policy will assist Council with optimising its return on investment of surplus funds, in accordance with its prevailing investment strategy, in a prudent and measurable manner, specifically by:

- entering into investment types which 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 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.

When placing investments, cash flow considerations will be made to the time horizons of Council's liabilities to best match appropriate investments for the funds.

## 5. DEFINITIONS

<b>Council</b>	Roper Gulf Regional Council
<b>RGRC</b>	Roper Gulf Regional Council

Need a definition who the Minister is as per section 6.4

## **6. PRINCIPLES**

### **6.1 Legislation**

All investments are to be made in accordance with:

- Section 194 (1) of the *Local Government Act 2021*, which states that “a council may invest money not immediately required for the purposes of the Council”.
- *Local Government (General) Regulations 2021*
- Australian Accounting Standards

### **6.2 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.

### **6.3 Ethics and Conflicts of Interests**

All the employees of Roper Gulf 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.

### **6.4 Delegation of Authority**

In accordance with Section 167 of the *Local Government Act 2019* Council has delegated the authority for 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.

### **6.5 Mandatory Conditions**

All investments must comply with the mandatory conditions as follows:

- All investments must be made in the name of Roper Gulf 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.

### **6.6 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.

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

### **6.7 Risk Management Guidelines**

Risk can never be completely mitigated and no investment is risk free. This policy outlines the limits on investments that assist in mitigating risk within Council's control without unnecessary detrimental impact on investment returns.

Investments are to comply with key criteria relating to:

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

## **7. INVESTMENT LIMITS**

### **7.1 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 year. The maximum term for any investment should not exceed **one (1) year** without specific Council approval.

### **7.2 Liquidity Requirements**

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

### **7.3 Credit Ratings**

Credit ratings are a guide or standard for an investor, which indicate the ability of a debt issuer or debt issue to meet the obligations of repayment 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 certain set of market and non-market 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.

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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
A-1+	AAA	P-1	Aaa	F1+	AAA
	AA+		Aa1		AA+
	AA		Aa2		AA
	AA-		Aa3		AA-
A-1	A+	P-2	A1	F1	A+
	A		A2		A
A-2	A-	P-2	A3	F2	A-
	BBB+		Baa1		BBB+
A-3	BBB	P-3	Baa2	F3	BBB
	BBB-		Baa3		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)	Minimum Percentage of Total Investment	Maximum Percentage of Total Investment
AAA to AA-	A-1+	25%	100%
A+ to A	A-1	0%	50%
A- to BBB+	A-2	0%	35%
BBB to BBB-	A-3	0%	10%

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.

#### 7.4 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:

Long Term Rating (S&P or equivalent)	Short Term Rating (S&P or equivalent)	Maximum Percentage of Total Investment
AAA to AA-	A-1+	50%
A+ to A	A-1	25%
A- to BBB+	A-2	20%
BBB to BBB-	A-3	10%

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With the exception of investments which are guaranteed by the Commonwealth or the Territory, the amount invested with any one financial institution shall not exceed 40% of the entire investment portfolio.

## 8. Administration of Policy

### 8.1 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.

### 8.2 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.

### 8.3 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.

## 9. REFERENCES

Related Policies	FIN001 – Financial Delegation Manual FIN006 - Accounting Policy and procedures manual
Related Publications	

## 10. DOCUMENT CONTROL

Policy number	<b>FIN011</b>
Policy Owner	<b>Finance Manager</b>
Endorsed by	<b>Council</b>
Date approved	<b>29/08/2012, 11 June 2026</b>
Revisions	<b>19/07/2016, 25/1/2023, June 2026</b>

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Amendments	11 June 2026
Next revision due	<b>June 2028</b>

**11. CONTACT PERSON**

Position

**Finance Manager, Finance**

Contact number

**08 8972 9000**