

Investment Policy

Policy Objective

The objectives of the policy are:

- To ensure the investment of funds is undertaken in a prudent manner that results in returns being maximised and risk minimised;
- To achieve a high level of security by using recognised ratings criteria;
- To have ready access to funds for day-to-day requirements

Policy

Council and staff have an obligation to ensure that surplus funds are invested in a responsible manner. Council will invest excess funds in accordance with legislative requirements and will adopt a prudent investment approach. Council and delegated officers have a fiduciary duty under the Local Government Act 1995 (LGA), therefore risks must be kept to an acceptable minimum, particularly credit risk, with a reasonable return on investment generated whilst maximising opportunity, ensuring sufficient liquidity to meet all cash flow requirements and preserving the capital investment.

Council is required to have in place a current set of policies and internal control procedures that satisfy the responsibilities under Section 6.14 of the *Local Government Act 1995*, Part III of the *Trustees Act 1962* (as amended) and Regulation 19C of the *Local Government (Financial Management) Regulations 1996*.

While exercising the power to invest, consideration is to be given in preservation of capital, liquidity, and the return of investment.

- Preservation of capital is the principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- The investment portfolio will ensure 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 redemption of an investment or incurring short-term borrowings.
- The investment is expected to achieve a predetermined market average rate of return that takes into account the Council's risk tolerance. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

General Guidelines

Legislative Requirements

In accordance with:

- Section 6.14 of the Local Government Act;
- Regulation 19, 19C, 28 and 49 of the Financial Management Regulations; and
- The Trustees Amendment Act 1962, Part III Investments as amended by the Trustees Amendment Act 1997

The Shire will invest excess funds not required for any specific purpose in:

- authorised deposit taking institutions as defined in the Banking Act 1959 (Cth) Section 5 and/or the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986, for a term not exceeding 12 months;
- Bonds that are guaranteed by the Commonwealth Government or a State or Territory for a term not exceeding three years; and
- Australian currency only.

Delegation of Authority

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer (CEO) in accordance with the *Local Government Act 1995*. The CEO may in turn delegate the day-to-day management of Council's Investment to senior staff subject to regular reviews.

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 the portfolios in accordance with the objectives of this Investment Policy, and not for speculative purposes.

Quotation on Investments

Not less than three (3) quotations shall be obtained from authorised institutions when an investment is proposed.

Credit/Diversification Risk

The short term (0-365 days) credit guidelines will be based on Standard and Poor's Term Issue Credit Ratings which are:

- A1+ The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
- A1 The obligor's capacity to meet its financial commitment on the obligation is strong.
- A2 The obligor is susceptible to adverse economic conditions however the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

The amount invested with any one financial institute or product should not exceed the following percentages of average annual funds invested within each risk rating.

Credit Rating	Maximum % in credit rating category	Maximum % in one authorised institute
Short term A1+	100%	100%
Short term A1	50%	50%
Short term A2	25%	50%
Long term – Government Guaranteed Bonds	100%	100%

If any of the Shire's investments are downgraded such that they no longer fall within these investment policy guidelines, they will be divested as soon as is practicable.

If any of the Shire's investments no longer fall within the investment policy guidelines due to a change in portfolio size or composition, they will be divested as soon as practicable.

Reporting and Review

A monthly report will be provided to Council in support of the monthly statement of financial activity. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date, changes in market value including the name of the institution, investment rate, amount and terms of investment.

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