



## Policy 2.2.1 – Investments

### 1. Policy Purpose

The purpose of this policy is to outline the Council's position, and to provide guidance to Officers when investing surplus funds in order to maximise the return to the Shire while minimising risk.

### 2. Policy Scope

Refers to the investment and management of all funds held by the Shire, including operating accounts, investment accounts and funds managed under Trust.

### 3. Policy

The Shire will apply the following principles to all investments made in accordance with of the *Local Government Act 1995*:

#### 3.1. Legislative Requirements

All investments are to comply with the following:

- *Local Government Act 1995* – Section 6.14
- *The Trustees Act 1962* – Part III Investments
- Local Government (Financial Management) Regulations 1996 – Regulation 19, Regulation 19C, Regulation 28 and Regulation 49
- Australian Accounting Standards – AASB 132, AASB 7, AASB 139.

#### 3.2. 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 the Shire's Investments to the Director Corporate Services, Manager Finance or Senior Finance Officer.

### 3.3. Investment Advisors

The use of an investment advisor must be approved by Council and must be licensed by the Australian Securities and Investment Commission. The advisor must be an independent person/organisation 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.

### 3.4. 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 spirit of this Investment Policy, and not for speculative purposes.

### 3.5. Ethics and Conflicts of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of the Shire's investment portfolio. This Policy requires Officers to disclose any conflict of interest to the CEO.

### 3.6. Approved Investments

In accordance with the Local Government (Financial Management) Regulations 1996, Regulation 19C; Investments shall only be deposited in authorised deposit-taking institutions as defined in the *Banking Act 1959 (Commonwealth)* or through the Western Australia Treasury Corporation.

### 3.7. Investments are limited to

- State/Commonwealth Government Backed Bonds with a term of maturity of not more than three years
- Interest bearing deposits
- Bank accepted/endorsed bank bills.

### 3.8. Prohibited Investments

- This Investment Policy prohibits any investment carried out for speculative purposes
- Deposits for a fixed term of more than three years
- Investing in a foreign currency
- This Policy also prohibits the use of leveraging (borrowing to invest) of an investment.

### 3.9. Risk Management Guidelines

Investments obtained are to comply with three key criteria relating to:

1. Portfolio Credit Framework: limit overall credit exposure of the portfolio.
2. Counterparty Credit Framework: limits exposure to individual institutions based on their credit ratings.

### 3. Term to Maturity Framework: limit based upon maturity of securities.

In the following tables, Credit ratings are based upon the Standard and Poors Investment Rating, or equivalent where a Standard and Poors Investment Rating does not exist.

#### Portfolio Credit Limits

The maximum available limits in each rating category are as follows:

Portfolio Credit Limits			
Long Term Credit Ratings	Short Term Credit Ratings	Direct Investments Maximum	Managed Funds Maximum
AAA	A-1+	100%	100%
AA	A-1	100%	100%
A	A-2	50%	50%
Unrated	Unrated	0%	0%

#### Counterparty/Institution Credit Framework

Exposure to individual counterparties/financial institutions will be restricted by their credit rating so that single entity exposure is limited:

Portfolio Credit Limits			
Long Term Credit Ratings	Short Term Credit Ratings	Direct Investments Maximum	Managed Funds Maximum
AAA	A-1+	70%	50%
AA	A-1	55%	45%
A	A-2	20%	20%

#### Term of Maturity Framework

The investment portfolio is to be invested within the following maturity constraints:

Portfolio Credit Limits		
Long Term Credit Ratings	Short Term (0-1 yr)	Medium Term (1yr – 3yr)
Maximum	100%	30%
Minimum	50%	0%

#### 3.10. Benchmarking

Performance benchmarks is to be gauged against the advertised 90 day Bank Bill Rate.

#### 3.11. Reporting and Review

A monthly report will be provided to Council giving details of all current investments, showing:

- Place of Investment

- Type of investment
- Term of Investment
- Interest rate and benchmark interest rate
- Amount of interest earned or projected at maturity
- Institution exposure versus allowed institution risk exposure. (% of portfolio invested with each institution)
- Any breach of authority.

## 4. Strategic Objective

The policy aligns with the following strategic objective:

	<p><b>Effective civic leadership</b> Effective civic leadership is visionary and influential. It means listening to the community, balancing competing demands, making fair decisions and acting with integrity.</p>
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## 5. Definitions

- Nil.

## 6. Legislation

- *Local Government Act 1995*
- *Trustees Act 1962* – Part III Investments
- Local Government (Financial Management) Regulations 1996 Regulations 8, 19, 19C, 28 and 49.
- Australian Accounting Standards – AASB 132, AASB 7, AASB 139

## 7. Related Documents

- Delegation 1.1.4 – Investment of Council funds.

Responsible officer	Director Corporate Services		
Responsible team	Finance		
Responsible area	Corporate Services		
Version control	Date	Resolution	Number
Version 3	12/08/2008	Resolution	08/350
Version 4	22/01/2013	Resolution	13/016
Version 5	15/09/2015	Resolution	15/264
Version 6	22/01/2019	Resolution	19/020

Version 7	23/05/2023	Resolution	23/068
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