



2/010 Council Investments

Objective

To provide a framework for the investment of Council funds that seeks to maximise the return to Council whilst having due consideration for the risk and security of each investment; and ensures that Council's liquidity requirements are being satisfied.

Policy Statement

- The principal objective is to guide investment of surplus funds in the preservation of capital and investment decisions must align to this;
- The maximisation of returns within the confines of this policy is encouraged in order to capitalise return on investment;
- The funds available for investment includes reserves, other restricted funds and general revenue funds surplus to liquidity requirements;
- Factors that guide investment decisions:
 - o The use of Rating Agency credit ratings (Security);
 - o The maintenance of adequate levels of diversification (Security);
 - o The ability to have ready access to funds for day-to-day requirements (Liquidity); and
 - o Compliance with appropriate legislative requirements (Compliance).

Legislative requirements

All investments are to comply with the following:

- *Local Government Act 1995 - Section 6.14;*
- *The Trustees Act 1962 - Part III Investments;*
- *Banking Act 1959 – Part I;*
- *Local Government (Financial Management) Regulations 1996 – Regulations 8, 19, 19C, 28 and 49; and*
- *Australian Accounting Standards.*

Strategic Context

This policy links to the Council's Strategic Community Plan Outcome 4.b.2.1 to ensure the Town's finances are managed efficiently and effectively in line with legislated requirements.

Delegation of Authority

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the *Local Government Act 1995*.



The Chief Executive Officer may sub-delegate the implementation of the Investment Policy to other Town officers, in writing and keep a register of these appointments.

Prudent Person Standard

All investments will be managed with the care, diligence and skill that a prudent person would exercise. As trustees of public monies, officers are to safeguard the portfolio in accordance with the spirit of this Investment Policy, and not for speculative purposes.

Ethics and Conflicts of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council’s investment portfolio. The Department of Local Government and Communities Guidelines No.1 ‘Disclosure of Interests Affecting Impartiality’ and No. 21 ‘Disclosure of Financial Interests in Returns’ provide guidance for recognising and disclosing any conflicts of interest. Any independent advisors are required to disclose any actual or perceived conflicts of interest.

Investment Guidelines

Authorised Investments shall be limited to Australian currency denominated institutions permitted by the appropriate legislation:

- Deposits with Authorised Deposit Taking Institutions (ADIs) as defined in section 5 of the *Banking Act 1959 (Commonwealth)* and based on an appropriate Rating Agency classification of S&P’s BBB and higher or equivalent Moody’s rating (subject to overall limits) and the Western Australian Treasury Corporation (WATC).
- Bonds that are guaranteed by the Commonwealth Government or a State or Territory.
- 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:

Long Term Credit Ratings	Short Term Credit Ratings	Individual Institution Direct Investment Maximum %	Portfolio Direct Investment Maximum %
AAA to AA-	A-1+	50%	100%
A+ to A-	A1	40%	60%
BBB+ to BBB-	A-2	20%	30%



If any of the investments within the portfolio are subject to a credit rating downgrade, or maturing investments are redeemed, such that counterparty portfolio percentages are no longer compliant with the Investment Policy, the relevant investments will be divested as soon as practicable.

Legislation restricts the investment portfolio term to maturity for deposits to the following terms:

Investment Type	Term to Maturity
ADI Deposits	≤ 12 months
State/Commonwealth Government Bonds	≤ 3 years

Prohibited Investments

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

- Derivative based instruments; and
- 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.

The leveraging of investments (borrowing to invest) is prohibited.

Professional Advice

The Town may from time to time retain the services of suitably qualified investment professionals to provide assistance in investment strategy formulation, portfolio implementation and monitoring.

Any such advisor must be approved by Council and licensed by the Australian Securities and Investment Commission. The advisor 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 this Investment Policy.

Any independent advisor engaged by the Town is required to provide written confirmation that they do not have any actual or potential conflicts of interest in relation to the investments they are recommending or reviewing, including that they

are not receiving any commissions or other benefits in relation to the investments being recommended or reviewed.

Reporting and Performance Monitoring

Council will receive a monthly report on the investment portfolio detailing the performance of the investment portfolio and Counterparty percentage exposure of total portfolio. A summary of the composition of the investment portfolio by credit rating and institution will also be included.

Definitions

Nil

Relevant legislation	<i>Local Government Act 1995</i> <i>Local Government (Financial Management) Regulations 1996</i> <i>The Trustees Act 1962</i> <i>Banking Act 1959</i>
Delegated authority	Yes
Business unit	Financial Services
Directorate	Corporate Services

<i>Governance to complete this section</i>			
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