



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 the Town has adequate cash reserves to conduct its business.

Policy Statement

- The principal objective is to guide the 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 surplus funds available for investment include reserves, other restricted funds and general revenue funds surplus to liquidity requirements;
- Adequate cash reserves will be maintained to allow the Town to conduct its business.
- Factors that guide investment decisions:
  - The use of Rating Agency's "Investment Grade" credit ratings (Security);
  - The maintenance of adequate levels of diversification (Security);
  - The ability to have ready access to funds for day-to-day requirements (Liquidity); and
  - Compliance with appropriate legislative requirements (Compliance).

Legislative requirements

All investments are to comply with the following:

- *Local Government Act 1995 (WA) Section 6.14;*
- *Trustees Act 1962 (WA) Part III - Investments;*
- *Banking Act 1959 (Cth);*
- *Local Government (Financial Management) Regulations 1996 (WA) Regulations 8,19,19C, 28 and 49.*

Strategic Context

This policy links to the Council's Strategic Community Plan 2018-2028 Outcome 4.b.1 to ensure sound long-term financial planning is implemented by the Town.

### 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 Investments 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.

### Responsibilities

#### **Council**

Council is responsible for approving the Town's Investment Policy.

#### **Chief Executive Officer**

The Chief Executive Officer is delegated by the Council for the implementation of the Investment Policy.

#### **Director of Corporate Services**

The Director of Corporate Services is responsible for the compliance, monitoring and reviewing the performance of the Town's investment strategy and reporting performance outcomes to the Council.

#### **Manager Financial Services**

The Manager Financial Services is responsible for the daily operation, management and implementation of the Investment strategies.

#### **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

### Authorised Deposit -Taking Institutions (ADIs)

Means an authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986.

### Investment Grade

Means that either Standard & Poor Global Ratings (S&P) or Moody's Corporation (Moody's) has rated an investment as having "Investment Grade" credit rating as below:

S&P Investment Grade	Moody's Investment Grade	Risk Profile	Grade Quality
AAA	Aaa	Extremely strong capacity to meet financial commitments. Highest rating	High
AA+	Aa1	Strong capacity to meet financial commitments	High
AA	Aa2		
AA-	Aa3		
A+	A1	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances	Medium
A	A2		
A-	A3		
BBB+	Baa1	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions	Low
BBB	Baa2		
BBB-	Baa3		

## Investment Guideline

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 in the Banking Act 1959 (Commonwealth) section 5; or the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986.



- Bonds that are guaranteed by the Commonwealth Government or a State or Territory.
- In accordance with the Town's Risk Appetite Statement, the Town has a LOW risk appetite for financial risks impacting its long term financial sustainability. Therefore, 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:

Investment Grade (Standard & Poor Global Ratings)	Investment Grade (Moody's Corporation)	Individual Institution Direct Investment Maximum		Portfolio Direct Investment Maximum	
		%	\$(Million)	%	\$(Million)
AAA to AA-	Aaa to Aa3	70%	60	100%	N/A
A+ to A-	A1 to A3	20%	20	25%	25
BBB+ to BBB-	Baa1 to Baa3	10%	10	15%	15

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

Investment Type	Term to Maturity
Authorised Institution Deposits	≤ 3 Years
Commonwealth / State / Territory Government Guaranteed 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.

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

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