

<b>DOCUMENT TYPE</b>	Policy
<b>TITLE</b>	<b>INVESTMENTS</b>
<b>NUMBER:</b>	POL-2003

## **PURPOSE**

The purpose of this policy is to outline the Council's position, and to provide guidance to Officers when investing surplus funds, ensuring that public funds are managed prudently to maximise returns while minimising risk.

## **DEFINITIONS**

### **ADI (Authorised Deposit-Taking Institution):**

Corporations authorised under Section 5 of the *Banking Act 1959 (Cth)*, to take deposits from customers, including banks, building societies, and credit unions.

### **Authorised Institution:**

An ADI as defined in Section 5 of the *Banking Act 1959 (Cth)* or the Western Australian Treasury Corporation established by the *Western Australian Treasury Corporation Act 1986*.

### **Counterparty:**

The other individual or institution to an agreement or contract.

### **Derivative-Based Instruments:**

Financial contracts whose values are derived from the value of an underlying asset (e.g., commodities, equities, interest rates). The main types are forwards, options, and swaps.

### **Financial Instrument:**

Any contract that results in a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Investment Portfolio:**

A collection of investments held by the Shire.

### **Preservation of Capital:**

An investment strategy with the primary goal of preventing losses in the investment portfolio's total value.

### **Rate of Return:**

Annual income from an investment expressed as a percentage of the original investment.

### **Rating Agencies:**

Organisations like *Standard & Poor's (S&P)*, Moody's, and Fitch that evaluate the creditworthiness of institutions or financial instruments.

### **Speculative Investments:**

Investments made with higher risk in the hope of achieving unusually high returns.

### **Short Term:**

Investments maturing within 12 months.

### **Long Term:**

Investments maturing beyond 12 months.

## POLICY STATEMENTS

### 1. Objectives

- a) Preservation of Capital:  
Investments shall be undertaken in a manner that seeks to ensure security and safeguard the investment portfolio
- b) Liquidity:  
Ensure sufficient liquidity to meet anticipated cash flow requirements without incurring significant costs.
- c) Return on Investment:  
Achieve a rate of return comparable to a predetermined market average, consistent with Council's risk tolerance.

### 2. Legislative Requirements

All investments must comply with the following legislation:

- a) Section 6.14 of the *Local Government Act 1995 (WA)*
- b) Regulation 19 of the *Local Government (Financial Management) Regulations 1996*
- c) Part III Investments of the *Trustee Act 1962 (WA)*
- d) Section 5 of the *Banking Act 1959 (Cth)*
- e) AASB 9 Financial Instruments

If any legislation or standards are amended in a way that contradicts this Policy, the legislative requirements will take precedence.

### 3. Ethics and Conflicts of Interest

Investments must be managed with care, diligence, and skill as a "prudent person" would, focusing on capital preservation rather than speculative gains. Officers involved in investment management must avoid conflicts of interest and disclose any potential conflicts to the CEO.

### 4. Approved Investments

Investments are limited to:

- a) Interest-bearing deposits with Australian-owned ADIs with a local presence or not requiring branch access.
- b) Financial institutions with an S&P credit rating of AA- or above.
- c) State and Commonwealth Government Bonds.
- d) Bank-accepted or endorsed commercial bills.
- e) Investments consistent with socially responsible investment (SRI) principles where feasible.

### 5. Prohibited Investments

The policy prohibits investments for speculative purposes, including:

- a) Derivative-based instruments
- b) Principal-only investments with nil or negative cash flow
- c) Stand-alone securities with underlying futures, options, forwards, or swaps
- d) Deposits with non-ADI institutions
- e) Investments in foreign currency
- f) Leveraging (borrowing to invest)

## 6. Risk Management Guidelines

- a) Credit Downgrade Protocol - Investments downgraded below AA- will be reassessed and divested as soon as practicable. The CEO is to be informed of any credit rating changes.
- b) Business Continuity - Investment management practices are documented to ensure continuity during staff changes.

## 7. Reporting and Review

- Monthly reports to Council will include:
  - Investment performance
  - Maturity dates
  - Changes in market value
- Annual audit to verify investment balances.

### RISK MANAGEMENT

**Risk:** Failure to develop appropriate, meaningful policies which enable the administration to perform in an effective and efficient way.

**Control:** Review policies and procedures in accordance with review schedule.

**Risk:** Failure to manage the disbursement of funds to meet the needs of the Shires forward planning requirements, including the Strategic Community Plan, Corporate Business Plan, Long Term Financial Plans and Annual Budget.

**Control:** Monthly and quarterly progress and financial reporting against Corporate Business Plan and Annual Budget

### DOCUMENT AND VERSION CONTROL

<b>Responsible Directorate</b>	Corporate Services		
<b>Responsible Officer</b>	Director Corporate Services		
<b>Statutory References</b>	<i>Local Government Act 1995 – Section 6.14</i> <i>Local Government (Financial Management) Regulations 1996 – Regulations 8, 19, 19C, 28 and 49</i> <i>The Trustees Act 1962 – Part III Investments</i> <i>Banking Act 1959</i> <i>Australian Accounting Standards:</i> <i>AASB 132 – Financial Instruments: Presentation;</i> <i>AASB 7 – Financial Instruments: Disclosure;</i> <i>AASB 139 – Financial Instruments: Recognition and Measurement;</i> <i>AASB 136 – Impairment of Assets</i>		
<b>Related Documents</b>	POL-1005 Code of Conduct for Council Members Committee Members and Candidates for Local Government Elections DIR-1022 Code of Conduct for Employees Audit (Finance and Risk) Committee Terms of Reference REG-1001 Delegations Register		
<b>Amendment History (Adoption and last 3 amendments)</b>			
<b>Version</b>	<b>Date Issued - Resolution Number</b>	<b>Item #</b>	<b>Description of Change</b>
1.0	24/06/2014 - 10448	13.2.3	Council Adopted
5.0	22/11/2022 - 118756	12.4.2	Review Adopted by Council

5.1	08/11/2023 – CEO030	--	Reference Updates as per POL-1014 Policy Management (previously CP-FIN-3203)
6.0	TBA	TBA	Review Adopted Council
<b>Date of Next Review</b>		May 2028	