

Introduction

Council and staff have an obligation to ensure that funds that are surplus to the Council's immediate requirements are invested in a responsible manner and could provide an increase in the cash return on investment.

This Policy has been developed to ensure that Council conforms with its fiduciary responsibilities under the:

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

Purpose

1. Manage the investment of funds in a prudent manner resulting in financial risk being minimised.
2. Achieve a high level of security by using recognised investment return rating criteria.
3. Have flexible access to investment funds for day-to-day requirements, without penalty.
4. Have secure internal control procedures to ensure the monitoring of each investment through identification, nature, and location of all investments, and including the transactional details related to each investment.

Policy statement

1. Council will adopt a conservative investment approach to ensure investment capital is preserved and funds are always available in the short term.
2. While exercising the power to invest, consideration will be given in preservation of capital, liquidity, and the return of investment:
 - a. Preservation of capital is the principal objective of the investment portfolio. Investments are to be made in a manner that seeks to ensure security and safeguard the investment portfolio. This includes managing credit and interest risk within identified thresholds and parameters.
 - b. The investment portfolio will ensure there is sufficient liquidity to meet all anticipated cash flow requirements as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.
 - c. Three quotations shall be obtained from authorised institutions when an investment is proposed. The best quotation will be accepted after allowing for banking, administrative, transactional costs and exposure limitations.

3. Authority for implementation of the Investment of Funds Policy is delegated by Council to the Chief Executive Officer (CEO) in accordance with the *Local Government Act 1995*. Authorisation of investments that meet the requirements of this policy are to comply with the authorisation of payments policy. Investment transfers will require the signature of two authorised signatories. For authorisation of investments one of the two signatories is to be the CEO, Director Community & Corporate or Manager Finance.
4. Investments will be managed with the care, diligence, and skill that a prudent person would exercise. Employees are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Policy, and not for speculative purposes.
5. Officers shall refrain from personal activities that would conflict with the proper execution and management of the Council's investment portfolio. This Policy requires Officers to disclose any conflict of interest to the CEO in accordance with the Shire of Capel Code of Conduct.
6. Trust funds will be invested in accordance with the *Trustees Act 1962*. Acceptable methods are term deposits, cash deposits and Government guaranteed State Bonds issued by the WA Treasury Corporation.
7. Council investments are to be assessed in accordance with Standard & Poor's rating agency. A Standard & Poor's (S&P) credit rating is a current opinion of overall financial capacity to meet financial obligations. Investments that are assessed by S&P to have a rating of less than BBB are regarded as speculative, and the Council will not invest in these products or with these organisations.
8. Council Municipal direct investments are limited to the following:
 - Interest bearing Deposits with Authorised Deposit Taking Institutions as defined in the Banking Act 1959 (Commonwealth) or the Western Australian Treasury Corporation.
 - Bonds guaranteed by the Commonwealth Government, or a State or Territory Government.
9. In accordance with the Local Government (Financial Management) Regulations 1996, this policy prohibits the investment of money:
 - With an institution other than an authorised deposit taking institution as defined in the Banking Act 1959 (Commonwealth), or the Western Australian Treasury Corporation.
 - In bonds that are not guaranteed by the Commonwealth Government, or a State or Territory Government.
 - In bonds with a term to maturity of more than 3 years.
 - In a foreign currency.

Although the Regulations permit the investment of funds for up to a period of 3 years, this Policy restricts Shire of Capel investments to a term of 1 year or less (clause 11 Term to Maturity Framework).

10. This investment policy prohibits any investment carried out for speculative purposes including:
 - Derivative based instruments such as mortgage and asset backed securities.
 - Principal only investments or securities that provide potentially nil or negative cash flow.
 - Standalone securities issued that have underlying futures, options, forward contracts and swaps of any kind.

This policy prohibits the use of leveraging (borrowing to invest) of an investment.

11. Investments obtained are to comply with three key criteria relating to:
 - Portfolio Credit Framework: limit overall credit exposure of the portfolio.

- Counterparty Credit Framework: limit exposure to individual counterparties/institutions.
- Term to Maturity Framework: limits based upon maturity of securities.

Portfolio Credit Framework

For bonds guaranteed by the Commonwealth Government, or a State or Territory Government, the credit rating allowable will be that of the guaranteeing government.

Limits to overall credit exposure:

Maximum Exposure as a % of Total Investment Portfolio	Minimum Long Term Credit Rating (Standard & Poor's)	Minimum Short Term Credit Rating (Standard & Poor's)
100%	AAA	A-1+
100%	AA	A-1
60%	A	A-2
30%	BBB	A-2

Counterparty Credit Framework

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:

Direct Investment Maximum %	S&P Long Term Rating	S&P Short Term Rating
100%	AAA	A-1+
60%	AA	A-1
40%	A	A-2
30%	BBB	A-2

Term to Maturity Framework

Portfolio Term to Maturity	Min	Max
% <= 1 year	100%	100%

- Investment returns will be reported to the Ordinary Meeting of Council each month through the presentation of the monthly financial statements and included in the minutes of the meeting. The report will provide details on the investment portfolio including interest rate earned, maturity date, percentage exposure of total portfolio and interest earned.
- A list of investment transfers is to be included in the list of accounts presented at the next Ordinary Meeting of Council to be received and included in the minutes of the meeting.
- Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.
- The use of an investment advisor must be approved by the Council and must be licenced by the Australian Securities and Investment Commission. The advisor must be an independent person or 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.

16. The exception to this Policy is the parcel of shares in the Donnybrook Capel Districts Community Bank held by the Council. The investment was made by a Council resolution and any variation to this investment will require a further Council resolution.

Application

The application of this Policy is to be considered in conjunction with the associated finance related policies.

Procedure

Department:	Corporate Services	Next review:	December 2019
Reviewer:	Director Community & Corporate	Legislation:	Local Government Act 1995, s2.7(2)(b) Local Government (Financial Management) Regulations 1996 – Reg 19, 28, 49, Trustees Act 1962 Australian Accounting Standards
Adopted:	Minute OC1161, 22.11.00	Delegation:	
Amended:	Minute OC0110, 23.01.13 Minute OC0211, 19.02.14 Minute OC0115, 27.01.16 Minute OC1108, 22.11.17 Minute OC/2023/9, 25.01.23	Risk:	
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