

## 1. PURPOSE

The purpose of this policy is to provide compliance with the Local Government Act 1995 (as amended) and the Local Government Act (Functions and General) Regulation 1996 (as amended in March 2007).

To ensure consistency for all purchasing activities that integrates within all the Local Government operational areas.

## 2. SCOPE

The policy applies to any investment of surplus funds other than bank deposits for operational purposes.

## 3. DEFINITIONS

“**Prudent-Person**” - rule is a legal principle that is used to restrict the choices of the financial manager of an account to the types of investments that a person seeking reasonable income and preservation of capital might buy for his or her own portfolio.

## 4. STRATEGIC CONTEXT

This policy links to core drivers:

1. Relationships that bring us tangible benefits (to the Shire and our community)
2. Our lifestyle and strong sense of community
3. We are prepared for opportunities and we are innovative to ensure our relevancy and destiny

## 5. POLICY STATEMENT

To invest the local government's surplus funds, with consideration of risk and at the most favourable rate of interest available to it at the time, for that investment type, while ensuring that its liquidity requirements are being met, whilst minimizing the possibility of incurring capital loss.

While exercising the power to invest, consideration is to be given in preservation of capital, liquidity, and the return of investment.

- Preservation of capital is the principle objective of the investment portfolio. Investments are to be performed in a manner that seek to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- The investment portfolio will ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.

- The investment is expected to achieve a predetermined market average rate of return that takes into account the Council's risk tolerance. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

The objectives of the Policy on Investment of Surplus Funds are:

- To provide maximum capital security of funds;
- To provide the best available rate of interest from an approved source; and,
- To ensure sufficient liquidity to meet Council's cash flow requirements.

Investment shall be restricted to term deposits or commercial bills offered by the following banks or government institutions:

- National Australia Bank
- Commonwealth Bank of Australia
- Bankwest
- Australia and New Zealand Bank
- Westpac Banking Corporation
- WA Treasury Corporation
- Bendigo Bank

### **Prohibited Policies**

The investment policy prohibits any investment carried out for speculative purposes including;

- Derivative based instruments
- 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.

Speculative financial instruments are specifically prohibited, together with the use of the portfolio for speculation. Leveraging of the portfolio (borrowing to invest) is prohibited.

*Local Government (financial Management) Regulations 1996 – Reg 19 c (2)* does not allow the following;

- Deposit with an institution except an authorised institution;
- Deposit for a fixed term of more than 12 months;
- Invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
- Invest in bonds with a term to maturity of more than 3 years; and
- Invest in a foreign currency.

### **Term and Management Reporting**

The term of individual investment shall be consistent with the Shire's cash flow requirements and shall not exceed twelve (12) months.

The status and performance of the investment portfolio is to be reported monthly to Council.

### **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.

### **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. This policy requires officer's to disclose any conflict of interest to the CEO.

### **Authorised Investments**

Without approvals from Council, investments are limited to;

- Fixed and floating rate interest bearing deposits/securities issued by Authorised Deposit taking Institutions (ADI's) as defined in the *Banking Act 1959 (Commonwealth) Section 5*, including, Fixed and Floating Rate securities;
- State Bonds as established by the *Western Australian Treasury Corporation Act 1986*;
- Other investments as approved through resolution of Council.

## **6. REVIEW DETAILS**

Council Adoption	Date	May 2020	Resolution #	MIN 069/20
Previous Adoption	Date		Resolution #	