
Policy Number:	F4
Relevant Delegation:	DE3-2 Invest Money held in Municipal or Trust Funds
Adoption Details:	28 January 2016
Last Review Details:	25 November 2019

POLICY OBJECTIVE:

To provide guidance for the investment of Council funds that may not be required for immediate use, taking into account legislative requirements and risk while ensuring the Council's liquidity requirements are being met, along with a favourable rate of return.

POLICY SCOPE:

This Policy applies to all funds (including general funds, reserve funds and other restricted funds) invested by the Council.

POLICY STATEMENT:

INTRODUCTION

The investment of funds is a crucial aspect to good financial management. The Shire needs to ensure the preservation of capital and appropriate liquidity whilst ensuring a good rate of return is achieved within Policy guidelines. Revenue from investments is a funding source for the Shire and assists in maintaining the value of financial reserves.

PRINCIPLES

- (a) Investments must be placed in portfolios which protect the Shire's capital.
- (b) There must always be adequate liquidity to meet anticipated cash flow requirements.
- (c) Proper records of investments are kept and reported to Council.

PROVISIONS

1. GENERAL

- 1.1 There must be full compliance with Local Government (Financial Management) Regulation 19C which prohibits a local government from:
- (a) depositing funds with an unauthorised institution (An authorised institution is defined in 3 below).
 - (b) depositing funds for a fixed term of more than 3 years.
 - (c) investing in bonds that are not guaranteed by the Commonwealth Government or a State or Territory Government.
 - (d) investing in bonds with a term to maturity of more than 3 years.
 - (e) investing in a foreign currency.
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- 1.2 Council funds may be invested in one or more of the following:
 - (a) Fixed Term Deposits (For a fixed term of 3 years or less).
 - (b) Commercial Bank Bills (For a fixed term of 3 years or less).
 - (c) Government Bonds (For a term to maturity of 3 years or less).
 - (d) Cash Management Funds (For a fixed term of 3 years or less).
 - 1.3 Council funds are to be invested with the following financial institutions:
 - (a) Banking institutions holding a banking licence under Commonwealth Banking Legislation with a BBB rating or better, as set by Standard and Poor's. The Institution must be an Authorised Deposit-Taking Institution (ADI) as defined under the Banking Act 1959.
 - (b) Bonds issued and guaranteed by government.
 - 1.4 Investments, whenever possible, are to be placed with Local Banks giving consideration to interest rates and keeping within the limitations of the Global Credit Framework.
 - 1.5 The Chief Executive Officer has the delegated authority to invest surplus funds in accordance with this Policy.

2. PROBITY

- 2.1 To ensure there is not a conflict of interest, officers shall refrain from personal activities that would conflict with the proper execution and management of the Shire's investment portfolio.
- 2.2 To satisfy audit obligations, Letters of Confirmation will be obtained from the financial institutions confirming details of investments held on Council's behalf at 30th June each year.

3. CREDIT RISK MANAGEMENT

Global Credit Framework

- 3.1 To control the credit quality on the entire portfolio, a global credit framework will apply to limit the percentage of the portfolio exposed to any particular rating category. The maximum available limits in each Standard & Poor's credit rating category are as follows:

Standard and Poors - Credit Ratings:

Long term	Short Term	%	Description
AAA	A-1+	100	Prime
AA+		100	High Grade
AA		100	
AA-		100	
A+	A-1	100	Upper Medium Grade
A		100	
A-	A-2	70	
BBB+		50	Lower Medium Grade

4. INVESTMENT REPORTING

4.1 Investments must be appropriately recorded in the Shire's financial records and reconciled on a monthly basis.

4.2 A monthly investment report must be provided to Council after the end of that month. The report shall give results for the calendar month in question and year to date. The report shall be segregated into three segments for the following:

- General Municipal Funds.
- Reserve Funds.
- Trust Funds.

The following detail is to be provided for each segment:

- Total funds invested by institution and investment type.
- Maturity date.
- Credit ratings of the investments.
- Current interest rates of individual investments.
- Total investments earnings year to date against budget.

PENALTIES:

Not applicable.

KEY TERMS/DEFINITIONS:

Standard & Poor's – a financial services company providing index data and a source of independent credit ratings.

Responsible Officer:	Executive Manager Corporate & Community Services
Contact Officer:	Finance Manager
Relevant Legislation:	Local Government Act 1995 – Sections 6.14 & 6.15 Local Government (Financial Management) Regulations 19 & 19C The Trustee Act 1962 – Part III Investments as amended by the Trustees Amendment Act 1997 Banking Act 1959 Western Australian Treasury Corporation Act 1986

Review History:

Date Review Adopted:	Resolution Number
Adopted – 28 January 2016	
Reviewed – 24 October 2016	121016
Reviewed – 23 July 2018	
Reviewed – 25 November 2019	291119
Former Policy No:	F1.4
