

Council Policy – Investments

Responsible Directorate	Corporate Services
Responsible Business Unit/s	Finance
Responsible Officer	Manager Finance and Administration
Affected Business Unit/s	Finance

Objective

The objectives of this policy are to:

- address investing the Shire of Ashburton's (the Shire) surplus funds, with consideration of risk and 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, and
- support the local bank, where possible, with the intention of ensuring the bank is retained within the Shire.

Scope

This policy applies to all investments made by the Shire and those employees who are responsible for managing the Shire's investments.

Policy Statement

Surplus funds to immediate requirements shall be deposited into an authorised institution, in accordance with regulation 19 of the *Local Government (Financial Management) Regulations 1996*.

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 policy, and not for speculative purposes.

Ethics and conflicts of interests

Employees shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio.

Approved investments

Investments may only be made with authorised institutions as follows:

- An authorised deposit-taking institution as defined in section 5 of the *Banking Act 1959* (Commonwealth) with a Standard & Poor's (or its equivalent) credit rating of BBB or higher,
- The Western Australian Treasury Corporation established by the *Western Australian Treasury Corporation Act 1986*, or

- Bonds that are guaranteed by the Commonwealth, State or Territory and which have a term not exceeding three years.

Prohibited investments

Investments which prohibited are as follows:

- Deposits with an institution except an authorised institution,
- Deposits for a fixed term of more than 12 months, and
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind or are in a foreign currency.

Professional advice

The Shire may from time to time retain the services of suitably qualified investment professionals to aid in investment strategy formulation, portfolio implementation and monitoring. Any such independent advisor must be approved by Council and licensed by the Australian Securities and Investment 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 policy.

Any independent advisor engaged by the Shire is required to provide written confirmation that they do not have any actual or potential conflicts of interest in relation to the investment 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.

Investment funds

All cash and investment held by the Shire are placed in common investments in accordance with regulation 8 of the *Local Government (Financial Management) Regulations 1996*.

Risk management

Investments are restricted to bank investments only. The term of the investment will be based on forward cash flow requirements to ensure investment return on available surplus funds.

All investments obtained must comply with three key criteria relating to:

- Portfolio Credit Framework: limits overall credit exposure of the portfolio,
- Counterparty Credit Framework: limits exposure to individual counterparties/institution, and
- Term to Maturity Framework: limits based upon maturity of securities.

Portfolio Credit Framework

To control the credit quality on the investment portfolio, the following credit framework limits the percentage of the portfolio exposed to any credit rating category.

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum
AAA	A-1+	100%
AA	A-1+	100%
A	A-1	60%
B	A-2	20%

If any of the investments within the portfolio are subject to a credit rating downgrade such that the portfolio credit percentage is no longer compliant with this policy, the investment will be diverted as soon as practicable.

Counterparty Credit Framework

Exposure to an individual counterparty/institution will be restricted by its credit rating so that single entity exposure is limited. There may be on occasion, subject to cash flow requirements e.g., for end of year balancing and reserve transfers, direct investment maximum percentage greater than 40% for a single percentage, as detailed in the table below.

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum
AAA	A-1+	40%
AA	A-1+	40%
A	A-1	20%
B	A-2	10%

If any of the investments within the portfolio are subject to a credit rating downgrade such that the portfolio credit percentage is no longer compliant with this policy, the investment will be diverted as soon as practicable.

Term to Maturity Framework

The investment portfolio is to be invested within the following maturity constraints.

Investment Type	Term of Maturity
ADI Deposits	< 12 months
State/Commonwealth Government Bonds	< 3 years

Reporting and review

Council will receive a monthly report on the investment portfolio, listing for each investment the:

- Institution,
- Amount,
- Term to maturity,
- Maturity date,
- Amount interest rate, and
- Percentage of total portfolio represented by the individual investment.

A summary of the composition of the investment portfolio by credit rating and institution will also be included.

Definitions

Nil

Relevant policies/documents

Department of Local Government, Sport and Cultural Industries guidelines:

Disclosure of Interests Affecting Impartiality

Disclosure of Financial Interests in Return

Relevant legislation/local laws

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Banking Act 1959

Trustees Act 1962

Office use only				
Relevant delegations	Nil			
Council adoption	Date	11 October 2022	Resolution #	139/2022
Reviewed/modified	Date		Resolution #	
Next review due	Date	2024		