



2.1 Investment Policy

Council Resolution:	2022/06/21/012
Date to take effect:	22/06/2022
Legislative reference:	<i>Local Government Act 2019 Local Government (General) Regulations 2021 Australian Accounting Standards</i>
Review Date:	June 2026

1. Purpose

This policy sets the guidelines that enables investment of Council's funds that are surplus to immediate operational requirements.

2. Principles

Council is committed to maximising appropriate investment returns whilst maintaining a conservative risk/return portfolio. Council will invest its surplus funds, with consideration of risk and at the most favourable rate of interest available at the time, for that investment type, while ensuring that council's liquidity requirements are being met. While exercising the power to invest, consideration is to be given to 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 the security and safeguarding of the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- b) The investment portfolio must 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.
- c) 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 must also consider the risk limitation and prudent investment principles.

3. Policy Statement

3.1 Prudent Person Standard

3.1.1 All activities regarding Council's investments are exercised with the care, diligence and skill of a prudent person, and not undertaken for speculative purposes.

3.2 Ethics and Conflicts of Interest

3.2.1 Staff involved in the investment process must refrain from activities, personal or otherwise, that would conflict with the proper execution and management of Council's investment portfolio.

3.2.2 Staff are required to disclose in writing any actual, apparent or potential conflict of interest to the Chief Executive Officer (CEO).

3.3 Approved Investments

3.3.1 Without approval by resolution of Council, investments will be limited to:

- a) State/Commonwealth Government Bonds;
- b) Interest bearing deposits such as bank accounts and term deposits;
- c) Bank accepted/endorsed bank bills;
- d) Commercial paper (a loan of less than 270 days backed by assets such as loans or mortgages;
- e) Bank negotiable Certificate of Deposits; and
- f) Managed Funds with a minimum long term Standard & Poor (S&P) rating of "A" and short term rating of "A2".

3.4 Prohibited Investments

3.4.1 Any investment carried out for speculative purposes is prohibited, including but not limited to:

- a) Derivative based instruments;
- b) Principal only investments or securities that provide potentially nil or negative cash flow; and
- c) Stand alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

3.4.2 Leveraging (borrowing to invest) of an investment is also prohibited.

3.5 Risk Management

3.5.1 The risk of all assets included in the investment portfolio must be known, measurable and acceptable to Council.

3.5.2 As the principal objective of the Council is to preserve capital, the Council has a low tolerance to investment risk and a conservative, risk adverse investment strategy is required.

3.5.3 Risk Management Guidelines

Investments must comply with the below frameworks to minimise risk.

If any of the Council's approved investments are downgraded such that they no longer fall within the approved credit rating category documented within the investment policy, they must be divested as soon as practicable but in a manner that does not give rise to an unnecessary loss to Council.

a) Portfolio Credit Framework:

- To limit overall credit exposure of the investment portfolio. The limits on the percentage of the portfolio exposed to any particular credit rating category must be complied with as outlined in the following credit framework table.

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum %	Managed Fund Maximum %
AAA	A-1+	100%	100%
AA	A-1	100%	100%
A	A-2	60%	80%

b) 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:

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum %	Managed Fund Maximum %
AAA	A-1+	45%	50%
AA	A-1	35%	45%
A	A-2	20%	40%

c) Term to Maturity Framework:

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

Overall Portfolio Term to Maturity Limits	
Portfolio % < 1 year	100% Max; 40% Min
Portfolio % > 1 year	60%
Portfolio % > 3 year	35%
Portfolio % > 5 year	25%
Individual Investment Maturity Limits	
ADI	5 years
Non ADI	3 years

- Investments fixed for greater than 12 months are to be approved by Council and reviewed on a regular term and invested for no longer than five (5) years.

3.6 Benchmarking

3.6.1 Performance benchmarks must be established for all investments held or intended to be held. The below table outlines the benchmarks to be complied with for the relevant instruments.

Investment	Performance Benchmark
Cash	Cash Rate
Enhanced/Direct Investments	UBSWA Bank Bill
Diversified	CPI + appropriate margin over rolling 3 year periods (depending upon composition of fund)

3.7 Reporting

- 3.7.1 The investment return for the portfolio is to be annually reviewed by Council's Risk Management and Audit Committee by assessing the market value of the portfolio.
- 3.7.2 A monthly report must be provided to Council in support of the monthly statement of activity, including assessment of the market value of the portfolio.
- 3.7.3 The Investment Policy and Investment Strategy included within will be reviewed by Council's Risk Management and Audit Committee every six months with a formal review once a year.
- 3.7.4 Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.

3.7.5 Certificates must be obtained from the financial institutions confirming the amounts of investments held on the Council's behalf as at 30 June each year and reconciled to the Investment Register.

4. Other Relevant Matters

4.1 Associated Documents

4.1.1 Delegations Register

DOCUMENT HISTORY 2.1 Investment Policy		
Date Adopted:	23/10/2012	Council Resolution 23/0/12/018
Amended:	10/2/16	Add committee to Approved Investments
Amended:	21/06/2022	Council Resolution 2022/06/21/012 Changed to new format, update legislative references.
Amended:		