

F9 Investment of Surplus Funds Policy

Introduction

To provide guidance for the investment of Shire funds, with due consideration of legislative requirements and risk at the most favourable rate of return available to the Shire at the time for the particular investment type, while ensuring that the Shire's liquidity requirements are being met.

Application

This policy applies to investment of all Shire surplus funds.

Policy Intent

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 principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security and safeguarding the investment portfolio.
- 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 redemption 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.

1. Statutory Compliance

All investments are to be made in accordance with:

- (a) *Local Government Act 1995* – Section 6.14;
- (b) *The Trustees Act 1962* – Part III Investments as amended by the *Trustees Amendment Act 1997*;
- (c) *Local Government (Financial Management) Regulations 1996* – specifically Regulation 19, Regulation 28 and Regulation 49; and
- (d) Australian Accounting Standards.

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2. Authorised Institutions

Investments may only be made with an authorised institution. An **Authorised Institution** is defined as:

- (a) An authorised deposit taking institution as defined in the *Banking Act 1959* (Commonwealth) Section 5; or
- (b) The Western Australian Treasury Corporation (WATC) established by *The Western Australian Treasury Corporation Act 1986* for a term not exceeding twelve months; or
- (c) Bonds that are guaranteed by the Commonwealth Government or a State or Territory and which have a term not exceeding three months.

3. Authorised Investments

The only types of authorised investments under *Local Government Act 1995* Section 6.14(1), and *Local Government (Financial Management) Regulations 1996* – Regulation 19C, are as follows:

- a) an authorised deposit-taking institution as defined in the *Banking Act 1959* (Commonwealth) section 5; or
- b) the Western Australian Treasury Corporation established by the *Western Australian Treasury Corporation Act 1986*

Authorised Investments shall be limited to Australian currency denominated.

4. Prohibited Investments

When investing money under *Local Government Act 1995* Section 6.14(1), and *Local Government (Financial Management) Regulations 1996* – Regulation 19C, a local government may not do any of the following:

- (a) Deposit with an institution other than an Authorised Institution;
- (b) Deposit for a fixed term of more than three years;
- (c) Invest in Bonds that are not guaranteed by the Commonwealth Government or a State or Territory Government;
- (d) Invest in Bonds with a term to maturity greater than three years; and
- (e) Make foreign currency investments.

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5. Risk Profile

Whilst the investments made in accordance with the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* and Part III of the *Trustees Act 1962* are inherently low risk, when exercising the power of investment, the following principles are also to be given due consideration:

- (a) The purpose of the investment, and its needs together with the circumstances;
- (b) The nature of and the risk associated with the different investments;
- (c) The need to maintain the real value of capital and income;
- (d) The risk of capital loss or income loss;
- (e) The likely return and the timing of that return;
- (f) The liquidity and the marketability of the proposed investment during, and at the determination of the term of, the proposed investment;
- (g) The aggregate value of the investment;
- (h) The likelihood of inflation affecting the value of the proposed investment;
- (i) The costs (including commissions, fees, charges and duties payable) of making the proposed investment; and
- (j) The ethicality and reputation risk of the investment.

6. Delegation of Authority

Authority of the implementation of this Policy is delegated by Council to the Chief Executive Officer (CEO) in accordance with the *Local Government Act 1995*. The CEO may in turn delegate the day-to-day management of Council's investments to the Manager Corporate & Community Services and/or Manager Finance.

7. Prudent Person Standard

Investments 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 intent and objectives of this Policy and not for speculative purposes.

8. Reporting

A report on the investments will be included in the Monthly Financial Statements presented to the Council. This will include the following details:

- (a) Name of institution where investment is lodged;
- (b) Amount of funds invested;
- (c) Interest rate on investment; and
- (d) Date of maturity of investment.

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Documentary evidence will be held for each investment and details thereof maintained in an Investment Register.

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

Reference Information

Related Documents

Related Legislation	<i>Local Government Act 1995 (WA)</i> <i>The Trustees Act 1962 – Part III Investments as amended by the Trustees Amendment Act 1997;</i> <i>Local Government (Financial Management) Regulations 1996</i> <i>Banking Act 1959</i>
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Associated Forms and Attachments

Document Control Information

Document Category	Finance
Document Title	Investment of Surplus Funds
Document ID	
Author	Manager Corporate & Community Services
Approved By	Council
Date of Approval (OCM)	27 October 2020
Date of Last Review	Amended Council Meeting 15 November 2007 Reviewed Council Meeting 21 May 2009 Amended Council Meeting 13 May 2010 Amended Council Meeting 18 September 2012 Amended Council Meeting 22 July 2014 Reviewed Council Meeting 22 November 2016 Amended Council Meeting 22 January 2019 Reviewed Council Meeting 27 October 2020
Date of Next Review	October 2022

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