

# Shire of Wiluna Policy Manual

## INVESTMENTS

### Policy 2.21

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#### **Purpose**

This policy is to provide guidance for financial investment activities by the Shire of Wiluna, which includes the scope of authority, compliance, process and reporting.

#### **Objectives**

To invest the Shire of Wiluna's surplus funds, with due consideration of legislative requirements and risk at the most favourable rate of interest available to it at the time, for that investment type, while ensuring that Shire's liquidity requirements are met.

To maximise earnings from authorised investments and ensure the security of Shire funds

#### **Legislative Compliance**

At all times investments are to comply with the minimum requirements set out in the:

- Local Government Act 1995 Section 6.14;
- Sections 17 to 20 of the Trustees Act 1962;
- Local Government (Financial Management) Regulations – Regulation 19, Regulation 19C, Regulation 28, and Regulation 49;
- Australian Accounting Standards.

#### **Delegation of Authority**

Authority for implementation of the Investment Policy is delegated by Council to the CEO in accordance with the Local Government Act 1995. The CEO may in turn delegate the day-to-day management of Shire's investment to senior staff subject to regular reviews.

#### **Prudent Person Standard**

The investment will be managed with care, diligence and skill that a prudent person would exercise. Officers are to manage the investment portfolio to safeguard the portfolios in accordance with the spirit of this Investment Policy, and not for speculative purposes.

#### **Ethics and Conflict of Interest**

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio and requires officers to disclose any conflict of interest to the CEO.

#### **Approved Investments**

Without approval from the Council, investments shall be limited to:

- State/Commonwealth Government bonds
- Interest bearing deposits
- Bank accepted/endorsed bank bills
- Bank negotiable certificate of deposits

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### Diversification/Credit Risk

Investment shall be made with institutions that meet diversification and credit risk ratings as defined by Standard and Poor ratings (or equivalent ratings from other rating firms). To control the credit quality of the investment funds, the following credit framework limits the percentage of the funds exposed to any particular rating category:

Long Term Ratings			Short Term Ratings			Investment Maximum %
Moody's	S & P	Fitch	Moody's	S & P	Fitch	
Aaa	AAA	AAA	P1	A1+	F1+	100%
Aa1	AA+	AA+	P1	A1+	F1+	
Aa2	AA	AA	P1	A1+	F1+	
Aa3	AA-	AA-	P1	A1+	F1+	
A1	A+	A+	P1	A1	F3	100%
A2	A	A	P1	A1	F3	
A3	A-	A-	P2	A2	F3	
Baa1	BBB+	BBB+	P2	A2	F3	80%
Baa2	BBB	BBB	P3	A2	F3	

Should the credit rating be downgraded then investment will be divested as soon as practicable.

Not less than 3 quotations or comparative interest shall be obtained from authorised institutions (or from an investment broker) whenever an investment is proposed. Authorised officer to determine the best quote on the day after considering the administration and banking cost and having regard to the limitations set in this policy.

### Prohibited Investments

In accordance with 19C of the Local Government (Financial Management) Regulations 1996 when investing money, the Shire of Wiluna will not do any of the following:

- Deposit with an institution except an authorised institution. *An authorised institution means an authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or the Western Australian Treasury Corporation.*
- Deposit for a fixed term of more than 3 years;
- 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;
- Invest in foreign currency.

This policy also 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;
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind
- The use of leveraging (borrowing to invest).

### Reporting and Review

A monthly report will be provided to Council detailing the performance of all investments. Such reports will include a section on investment risk management, the diversification of investments and the risk profile (using Standard and Poors ratings) of the investment portfolio as a whole.

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Each year or as required in the event of legislative changes, a review on the appropriateness of the investment policy shall occur.

Documentary evidence must be held for each investment and details thereof maintained in an investment register.

### Policy Variation

The CEO or any Officer with delegated authority by the CEO is authorised to approve variations to this policy if the investment is to Shire's advantage and or legislative requirement.

Document Control	
Responsible Directorate	Office of the CEO
Relevant Section	Corporate
Legislative Requirement	
Council Meeting Held & Adopted, Resolution #	16 April 2014 149/14
Amendments, Date & Resolution #	11 Oct 2017 148/17
	22 July 2020 112/20
Review Dates & Resolution #	
Next Review Date	July 2021