

# CCSP 5 Investments Policy



June 2017

*This policy was adopted by Council to set governing principles in place that align the strategic direction of the organisation with [insert relevant strategic goal from Corporate Plan].*

## Objectives

The principal objective of Council in investing surplus cash not immediately required is the preservation

of capital that can generate a reasonable return consistent with the Council's conservative risk profile.

## Policy

While exercising the power to invest, consideration is to be given to preservation of capital, liquidity, and the return on investment.

### Legislative Requirements

All investments are to be made in accordance with:

- *Local Government Act 1995* – Section 6.14;
- The Trustees Amendment Act 1962 –,Part III Investments as amended by the Trustees Amendment Act 1997); and
- Local Government (Financial Management) Regulations (19, 19C, 28 and 49).

### Delegation of Authority

Under delegation 13 Power to Invest the CEO delegates the power to invest to the:

- Director of Corporate and Community Services; and
- Manager Corporate Services.

### Authorised Institutions

In accordance with Local Government (Financial Management) Regulations Section 19C the Shire can only invest in the following institutions:

- Authorised deposit-taking institution as regulated by the Australian Prudential Regulation Authority (APRA) in accordance with the *Banking Act 1959* (Commonwealth); or
- Western Australian Treasury Corporation established by the *Western Australian Treasury Corporation Act 1986*.

### Authorised Investments

The only types of authorised investments under Local Government Act 1995 section 6.14(1) are as follows:

- Deposits with an authorised institution and the term is to be no more than 3 years;

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- Bonds that are guaranteed by the Commonwealth Government, or a State or Territory government with a term to maturity of up to 3 years; and
- Australian currency only.

## General Policy Guidelines

- Quotations for Investments**  
Not less than three (3) quotations shall be obtained from authorised institutions when an initial investment is proposed. To ease administration, quotations are not required if the initial investment is re-invested (rolled over) with the same authorised deposit taking institution.

- Credit/Diversification Risk**  
The credit guidelines will be based on Standard and Poor's credit ratings.

The short term (0-365 days) credit ratings are:

- A1+ The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
- A1 The obligor's capacity to meet its financial commitment on the obligation is strong.
- A2 The obligor is susceptible to adverse economic conditions however the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

The long term (to be used for 1 to 3 year investments) credit ratings are:

- AAA The obligor has an extremely strong capacity to meet its financial commitments.
- AA The obligor has a very strong capacity to meet its financial commitments.
- A The obligor has a strong capacity to meet its financial commitments but is Somewhat more susceptible to the adverse effects of changes in economic conditions.

The amount invested with any one financial institution or product should not exceed the following percentages of average annual funds invested within each risk rating.

Credit Rating	Maximum % in credit rating category	Maximum % in one authorised institution
Short term A1+ or Long Term AAA	100	50
Short term A1 or Long Term AA	50	50
Short term A2 or Long Term A	25	50
Long term – Government Guaranteed Bonds	100	100

- Preference to community support**  
Where two or more quotes are equal in terms of risk and return then the institution that can demonstrate a greater community support will be preferred over the other. Short term money market investments may be placed with the Augusta Community Bank Branch of the Bendigo Bank which operates within the Shire and provides community sponsorships and grants.
- Change in Credit Ratings**  
If any of Council's investments are downgraded such that they no longer fall within these investment policy guidelines, they will be divested as soon as is practicable.

v. Investment Reporting

A monthly report should be provided to Council, detailing the investment portfolio in terms of products held and investment income earned versus budget year to date.

For audit purposes, certificates must be obtained from the authorised institutions confirming the amounts of investment held on Council's behalf at 30th June each year.

## Application

Responsibility for the implementation of this policy rests with the Chief Executive Officer, Director

Corporate & Community Services and Manager Corporate Services. The Policy is to be reviewed every three years.

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