

# COUNCIL POLICY LG511

## INVESTMENTS

KEY FOCUS AREA LEADERSHIP AND GOVERNANCE

### Purpose

This Policy provides clear guidance for the prudent allocation and management of the Town's investments.

### Policy

Council is custodian for the Town's assets and this includes both cash and real assets. The underlying principles of the policy are the preservation of the capital and the maintenance of the real value of income.

Investments must be ethically sound and not have the potential to undermine confidence in the Council.

Council will at all times meet its fiduciary responsibilities under all legislation including Section 6.14 of the *Local Government Act 1995* and Section 18 (1)(a) of the *Trustees Act 1962* (as amended) (the 'Prudent Person' Rule) when considering investment decisions. Council requires the same diligence of any officer to whom responsibility is delegated for any investment decisions.

Council will not accept high risk to seek high returns. Council will seek to manage risk by:

- Having a balanced portfolio;
- Avoiding high risk investments;
- Frequent monitoring of investments;
- Monitoring the investment environment;
- Obtaining external expertise as necessary (Investment advisor must be licensed by ASIC);
- Implanting its investments in accordance with policy; and
- Monthly reporting to the Council in support of the monthly statement of activity.

### Authorised Investments

Unless otherwise specifically authorised by Council, investments shall be limited to:

- State/Commonwealth or Local Government Bonds
- Interest bearing term deposits with Western Australian Treasury Corporation or Authorised Deposit Taking Institutions (ADI's) for a maximum term of one year
- Bank accepted /endorsed bank bills;
- Bank negotiable Certificates of Deposit;
- The investment already held in land within the Town.
  - Council may authorise the following alternate investments, however such investments will be supported by an appropriate business case and comply with the clause 3.59 of the *Local Government Act 1995* relating to commercial enterprise.
- Additional land holdings within the Town.

Stand-alone securities that have underlying futures, options, forwards contracts and swaps of any kind, which includes CDO's are prohibited.

### Benchmarking

The performance of the investment portfolio shall be measured against the UBS Warburg 90 Day Bank Bill Index and/or the Reserve Bank of Australia's Official Cash Rate.

### Delegation of Authority to Invest

The authority to make investment decisions and sign investment lodgements and withdrawals pursuant to the provisions of Section 5.45 of the *Local Government Act 1995* is delegated to the Chief Executive Officer. The CEO may in turn sub-delegate the day-to-day management of the Council's investments.

### Risk Management Guidelines

Investments are to comply with three criteria relating to:

a) Portfolio Credit Framework

Limits overall credit exposure of the portfolio to S and P related institutions as follows:

<i>S and P Long-Term Rating</i>	<i>S and P Short-Term Rating</i>	<i>Direct Investment</i>
AAA	A-1+	100%
AA	A-1	100%
A	A-2	30%

b) Counterparty Credit Framework (Diversification)

The amount invested with any one \*institution should not exceed the following percentages (restricted by the institution's credit rating) so that single entity exposure is limited (\*institution is defined as including wholly owned subsidiaries):

<i>S and P Long-Term Rating</i>	<i>S and P Short-Term Rating</i>	<i>Direct Investment</i>
AAA	A-1+	45%
AA	A-1	35%
A	A-2	10%

c) Term of Maturity Framework

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

<b>Overall Portfolio Return to Maturity</b>		
Portfolio % <1 year	Min 40%	Max 100%
Portfolio % >1 year ≤ 3 years	Min 0%	Max 60%

**Document Control Box**

<b>Legislation:</b>	<i>Local Government (Financial Management) Regulation 1996</i> <i>Local Government Act 1995</i> <i>Trustees Act 1962</i>		
<b>Organisational:</b>	Appendix 1: Standard and Poor's Rating Description Appendix 2: Explanatory Notes to Investment Policy		
<b>Version #</b>	<b>Decision:</b>	<b>OCM Date:</b>	<b>Resolution Number:</b>
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