

## COR 026: INVESTMENT

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### Objective

The objective of this policy is to:

- Take a conservative approach to investments, but with a focus to adding value through prudent investment of funds.
- Achieve an adequate level of diversification to spread risk.
- Achieve a high level of security by using recognised ratings criteria.
- Have ready access to funds for day to day requirements without penalty.

### Policy

#### Delegated Authority to Invest

Officers authorised to make investment decisions and sign investment lodgements and withdrawals, having full delegated authority are:

- Chief Executive Officer
- Director Corporate and Community Services
- Manager Financial Services

#### Authorised Institutions

Investments are limited to authorised institutions, in accordance with *Local Government (Financial Management) Regulations* Section 19C, being:

- Authorised deposit taking institution (ADI) as defined in the *Banking Act 1959* (Commonwealth) section 5 or (See attachment A for example of Banks)
- Western Australian Treasury Corporation

#### Authorised Investments

Authorised investments shall be limited to Australian currency (AUD)

- Term Deposit
- Bonds guaranteed by the Commonwealth Government, or a State or Territory government
- Fixed term no longer than 1 year
- Investments to be equal to or above the Shire's minimum credit rating based on Standard & Poor's classification

#### Risk Management Controls

Risk management controls include:

- Delegated Authority to invest
- Documented investment procedures
- Management reporting (monthly investment reports)
- Utilisation of Standard & Poor's credit rating

#### Risk Profile

To control the credit risk the following table limits the percentage of the portfolio exposed to any particular credit rating category.

Investment Type	Minimum Credit Rating*	Maximum Term	Minimum %	Maximum %
Term Deposits	A-1	1 year	0	80
Government Bonds	A-1	1 year	0	100

\* Based on Standard & Poor's credit ratings

'A-1' rating is the highest category for short term investing (up to 1 year). The obligor's capacity to meet its financial commitments on the obligation is strong. (See attachment B for Standard and Poor's short term credit ratings classifications.)

Council recognises its obligations under the "Prudent Person" rule by seeking to adhere to an investment policy with a conservative bias. Council also seeks to add value to the investment portfolio through product selection and diversification.

#### Diversification

No more than 80% of Shire funds are to be invested in one Authorised Institution.

#### Prohibited Investments

This investment policy prohibits any investment in the following:

- Deposits with an institution except an authorised institution
- Deposits for a fixed term of more than 1 year
- Investment in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory Government
- Investment in bonds with a maturity of more than 1 year
- Investment in foreign currency
- Investment in crypto currency (includes Bitcoin and CoinDesk)

#### Management Reporting

Each month an investment report, including details of the Authorised Institution, maturity date, interest rate, and actual return vs budget.

A report will be provided to Council in support of the monthly Financial Activity Statement. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, and changes in value.

Documentary evidence must be held for each investment and details thereof maintained in an Investment Register retained in the Shire's Corporate Record Keeping Systems.

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

#### Liquidity

Cash flow report to be monitored at least weekly to ensure cash funds are available to meet commitments.

Maturity analysis report to be monitored at least monthly.

Any surplus cash not required for operating needs will be maintained in an interest earning account with Council's preferred banking service provider if not in a long term investment.

..... Policy Ends .....

#### Attachment A

Examples of ADI (Banks) are:

- Australia & New Zealand Bank Ltd.
- Bendigo and Adelaide Bank.
- Bank of Queensland Ltd.
- Bank of Sydney Ltd.
- Bank of Western Australia Ltd (New Statutory Deposits unavailable)
- Commonwealth Bank of Australia.
- Greater Bank Ltd.
- Macquarie Bank Ltd.
- National Australia Bank Ltd
- St George Bank Ltd
- Westpac Banking Corporation

#### Attachment B

##### Standard and Poor's Short Term Issue Credit Ratings

A-1: A short-term obligation rated 'A-1' is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2: A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

A-3: A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B: A short-term obligation rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments, however it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitments.

C: A short-term obligation rated 'C' is currently vulnerable to non-payment and is dependent upon favourable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation.

D: A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made of the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.