Financial Policies - 3.7 Investment Policy

Policy	Financial Policies – 3.7 Investment Policy
Purpose	To invest the local government's surplus funds, with consideration of risk and the most favourable rate of interest available to it at the time, for that investment type, while ensuring that its liquidity requirement is being met.
Status	Administrative - Statutory

Policy

Investment Objectives:

- To take a balanced approach to investments, but with a focus to add value through prudent investment of funds.
- To have investment funds achieve a return consistently with the Bank Bill Swap Rate (BBSW) 90-day Bank Bill Index.
- To achieve a high level of security by using recognized ratings criteria
- To maintain an adequate level of diversification.
- To have ready access to funds for day-to-day requirements, without penalty
- To exercise a deliberative preference in favor of "green" investments.

Statutory Compliance

All investments are to be made in accordance with: (i) local government act 1995 - section 6.14; and (ii) local government (financial management) regulations 1996 – regulation 19 and 19c.

Investing Funds

When investing funds, The Shire:

i) Shall only deposit funds with 'authorised institutions' meaning: 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;
ii) Shall not invest in 'foreign currency' meaning a currency except the currency of Australia;
iii) Shall not deposit for a fixed term of more than 3 years;
iv) Shall not deposit at-call for a term of more than 365 days;

v) Shall not invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory Government.
vi) Shall not invest in bonds with a term to maturity of more than 3 years;
vii) Shall have regard for the investment diversification and credit risk matrix as presented in the 'Diversification and Credit Risk Matrix' table below.

Investment Diversification and Credit Risk Matrix Investment

Shall be made in accordance with the following matrix table. When placing investments, consideration shall be given to the relationship between credit rating and interest rate.

Diversification and Credit Risk Matrix Table

Long Term Rating	Short Term Rating	Maximum % with any	Maximum Total
(Standard & Poor's)	(Standard & Poor's)	one Institution	Total Port
Government Guaranteed Deposits	Government Guaranteed Deposits	100%	100%
AAA Category	A1+	60%	100%
AA Category	A1+	40%	90%

If any of the authorised investments held are downgraded such that they no longer fall within the above listed credit ratings and diversification limits, they shall be divested immediately or as soon as is possible.

The short- term rating order 0-365 days is:

- A1+ extremely strong degree of safety regarding timely payment
- A1 a strong degree of safety for timely payment
- A2 a satisfactory capacity for timely payment

Long Term Rating Order is:

- AAA AAA- AA+ an extremely strong capacity to repay ; to
- AA- A+ a very strong capacity to repay ; to

Green Investments "Green" investments are authorised investment products made in authorised institutions that respect the environment by not investing in fossil fuel industries. When investing surplus Council funds, a deliberative preference will be made in favour of authorised institutions that respect the environment by not investing in fossil fuel industries. This preference

will however only be exercised after the foremost investment considerations of credit rating and risk diversification are fully satisfied.

Reporting Documentary evidence must 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 Council's behalf as at 30th June each year and reconciled to the Investment Register. A monthly report shall be submitted to Council with details of the investment portfolio including performance figures/benchmarks and investment diversification/credit risk percentages.

Investment Performance Benchmark -Cash 11am Cash rate Cash Plus/ or Equivalent / Direct Investments BBSW Bank Bill Index

Related Procedure	
Amended Authority Level	
Related Delegation	
Related Local Law/Legislation	
Adopted/Amended/Reviewed	November 2019; 22 September 2026