

## Shire of Mundaring

# POLICY

### INVESTMENTS

**Policy Ref:****FI-02****Committee Rec:**

SGC4.02.09

**Date:**

9 February 2009

**Adopted by:**

C2.02.09

**Date:**

24 February 2009

**Amended by:****Date:****Reviewed:**

Once per Electoral Cycle

**Date:****Procedure Ref:****Delegation Ref:****Statute Ref:***Local Government Act 1995**Trustees Act 1962**Local Government (Financial Management) Regulations 1996***Local Law Ref:****PURPOSE**

To delegate the authority to the Chief Executive Officer, and to provide guidelines to invest funds surplus to the planned requirements of the Council.

## POLICY

### Rationale

Local governments are required to ensure that they have effective and accountable systems in place to safeguard the Shire's financial resources. This includes the development of proper systems to authorise, verify and record the investment of monies in appropriate financial institutions.

### Objectives

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

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

- Preservation of capital is the principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- The investment portfolio will ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.

- The investment is expected to achieve a predetermined market average rate of return that takes into account the Shire's risk tolerance. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

## **Legislative Requirements**

All investments are to be made in accordance with and to comply with the following:

- *Local Government Act 1995* - Section 6.14;
- *Trustees Act 1962* - Part III Investments;
- *Bank Act 1959*;
- *Local Government (Financial Management) Regulations 1996* - Regulation 19, 28, and 49; and
- Australian Accounting Standards.

## **Delegation of Authority**

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer (CEO) in accordance with the *Local Government Act 1995*. The CEO may in turn delegate the day-to-day management of Council's Investment to senior staff or the Executive Manager Corporate Services, subject to regular reviews.

## **Prudent Person Standard**

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

## **Ethics and Conflicts of Interest**

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

## **Approved Investments**

Without prior approvals from Council, investments are limited to:

- Investments with banks (within the meaning of the *Bank Act 1959*) having a credit rating of Long Term A or Short Term A1 (Standard and Poor Australian Ratings), or other financial institutions (restricted to short term) with the authority of the Chief Executive Officer;
- The amount invested with any one institution shall not exceed 30% of average annual funds invested; and

- Should the credit rating of any institution or fund be downgraded then any investment will be divested on maturity or within 30 days, whichever is sooner.

### **Prohibited Investments**

This investment policy 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; and
- The use of leveraging (borrowing for investment purposes).

### **Reporting and Review**

- A report will be provided to Council each month detailing the performance of all investments;
- Documentary evidence must be held for each investment and details thereof maintained in an Investment Register; and
- This Investment Policy will be reviewed at least once a year or as required in the event of legislative changes.

### **Variation to Policy**

The Chief Executive Officer or their delegated representative be authorised to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation.

All changes to this policy are to be reported to Council within 14 days.