

3.5 Investment Policy

1. POLICY PURPOSE

The objective of this policy is to manage the Shire's investment portfolio in order to maximise return within agreed risk parameters. In achieving this, the following must be maintained:

- a) adequate level of diversification to spread risk;
- b) ready access to funds for day to day requirements;
- c) high level of security by using recognised assessment criteria;
- d) adherence to the requirements of Section 6.14 of the Local Government Act 1995 and Section 18(1) of the Trustees Act 1962 (as amended) (the "Prudent Person" rule).
- e) adherence to regulations section 19, 19c, 28 and 49 of the Local Government (Financial Management) Regulations 1996.

2. POLICY SCOPE

This Policy applies to all staff with Delegated Authority to undertake investment on behalf of the Shire of Merredin.

3. LEGISLATIVE REQUIREMENTS

Local Government Act 1995 (Section 6.14).

Trustees Act 1962

Local Government (Financial Management) Regulations 1996 (Sections 19, 28 & 49).

4. POLICY STATEMENT

4.1 Risk Profile

When exercising the power of investment, the following are to be given consideration:

- a) the purpose of the investment and the needs and circumstances;
- b) the nature of and risk associated with existing investments;
- c) the likely income return and the timing of such income return;
- d) the desirability of diversifying investments;
- e) the risk of capital or income loss or depreciation;
- f) the costs (including commissions, fees and charges) of making the proposed investment; and
- g) the length of the proposed investment.

4.2 Delegated Authority to Invest

The authority is delegated to the Chief Executive Officer (CEO) to make investment decisions and sign investment lodgments and withdrawals pursuant to the provisions of Section 5.45 of the Local Government Act 1995. This authority may be delegated to the Executive Manager Corporate Services.

4.3 Ethics & Conflict of Interest

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

4.4 Authorised Investments

That funds surplus to immediate requirements may be placed in any of the following authorised deposit taking institutions (ADIs), being licensed banks as defined under the Banking Act 1959 for a period not exceeding 12 months:

- a) Western Australian Treasury Corporation
- b) Australian and New Zealand Banking Group
- c) National Australian Bank
- d) Westpac
- e) Commonwealth Bank
- f) Macquarie Bank Limited
- g) Bendigo and Adelaide Bank Limited
- h) Bank of Queensland Limited
- i) HSBC Bank Australia
- j) ING Bank Australia Limited
- k) Rabobank Australia Limited

The full list of registered authorised deposit-taking institutions can be found here:

- [List of registered authorised deposit-taking institutions | APRA](#)

4.5 Prohibited Investments

This investment policy prohibits any investment that:

- 1. deposits with an institution except an authorised institution;
- 2. deposits for a fixed term of not more than 12 months;
- 3. invests in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
- 4. invests in bonds with a term to maturity of more than 3 years;
- 5. invests in a foreign currency.

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

4.6 The Shire's Direct Investments

a) Quotation on Investments

Not less than three (3) quotations shall be obtained from authorised institutions whenever an investment is proposed, unless the proposal is from the Shire's existing banking institution. The best quote on the day will be successful after allowing for administrative and banking costs, as well as having regard for the limits set above.

b) Term to Maturity

The term to maturity for an investment may range from "at call" to twelve months without Council approval.

c) Liquidity

- i) At least 50% of the total investment portfolio must be liquefiable within 10 days.
- ii) Cash flow must be monitored at a minimum of weekly to ensure that cash funds are available to meet commitments.

4.7 Authorised Counterparties and Exposure Limits

| Counterparty Details | Minimum Standard & Poor's Rating | Maximum Exposure as a % of total Investment Portfolio |
|--|----------------------------------|---|
| 11.1 All banks within the meaning of the <i>Banking Act 1959</i> . Note: At all times a minimum of 50% of total investments must remain with a Bank | A-1 (short) AA (long) | 100% |
| 11.2 Managed (Cash/Treasury) Funds (Unit Trusts) with an average duration of less than 1 year | Aam AAf | 50% |
| 11.3 Managed (Cash/Treasury) Funds (Unit Trusts) with an average duration of less than 3 years | AAf | 30% |
| 11.4 Managed (Fixed Interest) Funds Note: An overall limit of 50% applies to items – ie. A mix is acceptable but combined exposure must remain within 50% of total investment portfolio | AAf | 20% |
| 11.5 Commonwealth Government (Max term 3 years) | A-1 AA | < 1 year 50% > 1 year 20% |
| 11.6 State Government (Max Term 3 years) | A-1 AA | < 1 year 50% > 1 year 20% |

4.8 Diversification

The Shire's portfolio of investments must be diversified to ensure a spread of credit risk and market risk. Even if funds are to be invested 100% in Bank Deposits/ Securities, diversification between counterparties is desirable, if possible.

No more than 75% of funds may be invested in one organisation without Council approval.

No more than 50% of funds may be invested in any one asset class without Council approval. The only exception being deposits with banks within the meaning of the Banking Act 1959.

These provisions relating to the diversification of the Shire's investments do not apply if the Administration chooses to place its investments with the bank who operates the Shire's Municipal Fund.

4.9 Management Reporting

a) Financial Reporting

Each month an investment report must be presented to Council. The report is to summarise:

- i) Total funds invested by account type;
- ii) Total funds invested by institution;
- iii) Investment spread by institution;
- iv) Any breaches of authority.

5. KEY POLICY DEFINITIONS

Nil

6. ROLES AND RESPONSIBILITIES

The Chief Executive Officer and Executive Manager Corporate Services are responsible for implementation of this policy.

7. MONITOR AND REVIEW

This policy will be reviewed by the Executive Manager Corporate Services and Chief Executive Officer at least bi-annually, the Investment Policy shall be reviewed with regard to the suitability and compliance of the policy reported to Council.

| Document Control Box | | | | |
|----------------------------|--|------------------|-------------------|---------------------------|
| Document Responsibilities: | | | | |
| Owner: | CEO | Decision Maker: | Council | |
| Reviewer: | Executive Manager Corporate Services | | | |
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| | Trustees Act 1962 | | | |
| | Local Government (Financial Management) Regulations 1996 | | | |
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