



POLICY NO:-

CP2-009 – INVESTMENT POLICY

GOVERNANCE INFORMATION

Procedure Link:	N/A	Administrative Policy Link:	
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ADMINISTRATION INFORMATION

History	1	CS3.8	OCM	14/7/20	Res: 8495	Synopsis:	Policy adopted by Council
Version:	2	CP2-009		6/26			Policy renumbered to CP2-009 and reformatted in accordance with the new Policy Framework

1. RESPONSIBLE DIRECTORATE

Corporate Services

2. PURPOSE OR OBJECTIVE

To provide guidelines with respect to the investment of surplus funds which ensure that returns on funds invested are maximised within levels of acceptable risk and in accordance with relevant legislation.

3. SCOPE

4. DEFINITIONS

5. POLICY

5.1 Investment Objectives

- To take a conservative approach to investments, but with a focus to add value through prudent investment of funds.
- To achieve a high level of security for the overall portfolio by using recognised rating criteria.
- To maintain an adequate level of diversification as detailed in Section 5.6 (D) of this policy.
- To have ready access to funds for day to day requirements, without penalty.

5.2 Statutory Compliance

All investments are to be made in accordance with:

- *Local Government Act 1995* - Section 6.14
- The Trustees Act 1962 – Part III Investments as amended by the Trustees Amendment Act 1997.
- Australian Accounting Standards

5.3 Approved Institutions

Investments shall be made with institutions which meet this policy's guidelines on diversification and credit risk.

5.4 Authorised Investments

Authorised Investments shall include but not necessarily be limited to:

- Fixed and floating rate interest bearing deposits / securities issued by Authorised. Deposit taking Institutions (ADIs) as authorised by the Australian Prudential and Regulatory Authority (APRA), including Fixed and Floating Rate securities;
- State / Commonwealth Government Bonds;
- Specific securities approved by Council.

5.5 Risk Profile

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

- The purpose of the investment, and its needs together with the circumstances.
- The nature of and the risk associated with the different investments.
- The need to maintain the real value of capital and income.
- The risk of capital loss or income loss.
- The likely income return and the timing of that return.
- The liquidity and the marketability of the proposed investment during, and at the determination of the term of, the proposed investment.
- The aggregate value of the investment.
- The likelihood of inflation affecting the value of the proposed investment.
- The costs (including commissions, fees, charges and duties payable) of making the proposed investment.

5.6 Investment Guidelines

The Shire of Collie's investments must at all times be maintained within the investment parameters detailed in this policy, specifically those stated in Sections 5. 4, 5.5 and 5.6 (A), 5.6 (B), 5.6 (C), and 5.6 (D). Reporting arrangements to confirm compliance are required on a monthly basis.

A. Council's Direct Investments

Not less than three (3) verbal quotations shall be obtained from authorised institutions preferably with a presence within the Shire of Collie whenever an investment is proposed. The best quote on the day will be successful after allowing for administrative and banking costs, as well as having regard to the limits set above.

B. Investments placed by the Shire of Collie must be appropriately documented at the time of placement.

C. A maximum term to maturity for all individual investments of one (1) year will apply.

D. General Policy Guidelines

(i) Diversification/Credit risk

The amount invested with any one financial institution or managed fund should not exceed the following percentages of average annual funds invested. When placing investments, consideration should be given to the relationship between credit rating and interest rate.

Long Term Rating (Standards & Poors)	Short Term Rating (Standards & Poors)	Maximum of total portfolio
AAA to AA-	A1+	100%
A+ to A-	A1	75%
BBB+ to BBB-	A2	50%

(ii) Credit Ratings

If any of the funds / securities are down graded such that they no longer fall within the Shire of Collie's investment policy guidelines, they will be divested as soon as is practicable.

The short term (0-365 days) rating is:

(as defined by Standard and Poors Australian Ratings)

A1+	Extremely strong degree of safety regarding timely payment
A1	Strong degree of safety regarding timely payment
A2	Satisfactory capacity for timely payment

The long term rating is:

AA	Extremely strong capacity to repay
AA+ to AA-, A	Very strong capacity to repay
A+ to AA	Strong capacity to repay
BBB+ to BBB-	Adequate capacity to repay

E. Community Benefit Factor

- When comparing investment products, preference will be given to institutions that provide a higher level of benefit to the local community. If investment products offer the same rate of investment then the institution that provides the greater benefit to the Collie Community shall be awarded the investment.

5.7 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 the Council's behalf as at 30 June each year and reconciled to the Investment Register.
- A monthly report shall be submitted to Council with details of the investment portfolio.

6. REFERENCE DOCUMENTS