

## STRATEGIC OUTCOME SUPPORTED: 11 - Strong, visionary leadership.

### 1. OBJECTIVE

- 1.1. To invest the local government'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.

### 2. SCOPE

- 2.1. This policy applies to all future investments made by the Shire of Donnybrook Balingup.

### 3. DEFINITIONS

- 3.1. Nil

### 4. POLICY STATEMENT

- 4.1. While exercising the power to invest, consideration is to be given in preservation of capital, liquidity, and the return of investment:
  - a. 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.
  - b. 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.
  - c. The investment is expected to achieve a market average rate of return that takes into account the Council's risk tolerance. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

#### Risk Management Guidelines

- 4.2. Investments obtained are to comply with three key criteria relating to:

#### Overall Portfolio Limits

- 4.2.1. To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum %
AAA	A-1+	100%
AA	A-1	100%
A	A-2	60%

### Counterparty Credit Framework

4.2.2. Exposure to an individual counterparty/institution will be restricted by its credit rating so that single entity exposure is limited, as detailed in the table below.

<b>S&amp;P Long Term Rating</b>	<b>S&amp;P Short Term Rating</b>	<b>Direct Investment Maximum %</b>
AAA	A-1+	45%
AA	A-1	35%
A	A-2	20%

4.2.3. If any of the local government investments are downgraded such that they no longer fall within the investment policy, they will be divested as soon as practicable.

### Term to Maturity Framework

4.2.4. The investment portfolio is to be invested within the following maturity constraints.

<b>Overall Portfolio Term to Maturity Limits</b>	
Portfolio % < 1year	100 Max; 40% Min
Portfolio % > 1year	60%
Portfolio % > 3year	35%
Portfolio % > 5year	25%
<b>Individual Investment Maturity Limits</b>	
ADI	1 year
Non ADI	1 year

### Exceptions (Bendigo Bank)

4.2.5. In the interest of maintaining a face-to-face local banking service within Donnybrook, Council has elected to vary its policy to provide for the investment of funds in the Bendigo Bank, through the Donnybrook branch.

4.2.6. The Donnybrook branch of the Bendigo Bank is administered by Donnybrook Capel Districts Financial Services in accordance with the operational guidelines of the Bendigo Bank.

4.2.7. Funds invested through the Donnybrook branch are invested with the principal Bendigo Banking Group. Bendigo Banks current long-term S&P rating is BBB+ and the short-term rating is A-2.

4.2.8. Council has approved a maximum portfolio limit of 75% with Bendigo Bank.

### Investment Advisor

4.3. The local government's investment advisor must be licensed by the Australian Securities and Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products

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being recommended; and is free to choose the most appropriate product within the terms and conditions of the investment policy.

## Measurement

- 4.4. The investment return for the portfolio is to be regularly reviewed. The market value is to be assessed at least once a month to coincide with monthly reporting.

## Benchmarking

- 4.5. Performance benchmarks need to be established.

Investments	Performance Benchmark
Cash	Cash Rate
Enhanced/Direct Investments	UBSWA Bank Bill

## Reporting

- 4.6. A monthly report will be provided to Council in support of the monthly statement of activity. The report will detail the investment portfolio, percentage exposure of total portfolio, maturity date and changes in market value.
- 4.7. Documentary evidence must be held for each investment and investments are to be recorded in an Investment Register with all details pertaining to the investment such as investment source, date of lodgement, interest rate, maturity date and all investment transactions recorded on a ledger sheet.

## 5. DELEGATION AND AUTHORISATION

- 5.1. The power to invest and manage investments has been delegated to the Chief Executive officer and nominated sub-delegates as per delegation 1.2.22 Power to Invest and Manage Investments.

## 6. LEGISLATION

- 6.1. *Local Government Act 1995*
- 6.2. *The Trustees Act 1962*
- 6.3. *Local Government (Financial Management) Regulations 1996*

## 7. POLICY VERSION

<b>Related Policies:</b>	N/A		
<b>Related Procedure:</b>	N/A		
<b>Responsible Department:</b>	Corporate Services		
<b>Reviewer:</b>	Executive Manager Corporate Community		
<b>Review Frequency:</b>	Annual	<b>Next Due:</b>	2022
<b>Version Date:</b>	10/03/21	<b>Synergy #:</b>	NPP8036
<b>Decision Reference:</b>	213/21		
<b>Version Synopsis:</b>	<ul style="list-style-type: none"> <li>Removed policy number 3.4 and added new policy ID; and</li> <li>Renamed</li> <li>Added scope and delegation and authorisation; and</li> <li>Removed:</li> </ul>		

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	<ul style="list-style-type: none"><li>- "The CEO has delegated authority to appoint an investment adviser when considered appropriate"- Day to day management no need for extra authorisation.</li><li>- Administration information regarding authorisations as this information is built into the delegation conditions</li><li>- Wording to "Report and Review" to "Reporting" and removed duplicated information.</li></ul>		
<b>Policy Version Details</b>			
<b>Initial Adoption Date:</b>	28/03/2001	<b>Decision Reference:</b>	N/A