

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

### OBJECTIVE

1. To invest the Shire'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.

### SCOPE

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

### DEFINITIONS

3. **Authorised Institution** means the same as that defined in Regulation 19C (1) of the Local Government (Financial Management) Regulations 1996 as amended.
4. **Counterparty** means the other party that participates in a financial transaction.
5. **Credit Rating** means an estimate of overall ability and willingness of an entity or person to fulfil financial obligations in full and on time, based on previous financial dealings. Ratings are opinions issued by credit rating agencies.
6. **Long term** in relation to investments means it matures in excess of 12 months.
7. **Short-term** in relation to investments means it matures in 12 months or less.
8. **Shire** means the Shire of Donnybrook Balingup.
9. **S&P** means Standard & Poors.

### POLICY STATEMENTS

10. 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 legislative investment limitations. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

## Risk Management Guidelines

11. Officers delegated with the authority to invest must diversify the investment portfolio and avoid excessive risk concentration with any single counterparty.
12. The approach to diversification must be balanced with the need to seek an adequate rate of return for the Shire, given that higher rates of return are usually associated with higher credit risk.
13. Investments obtained are to be guided by:
  - a. Portfolio Credit Framework: limit overall credit exposure of the portfolio;
  - b. Counterparty Credit Framework: limit exposure to individual counterparties / institutions; and
  - c. Term to Maturity Framework: limits based upon maturity of securities.
14. The portfolio credit guidelines applied to the Shire’s investments will be based on the Standard and Poor’s (S&P) ratings system criteria.
15. **Approved Investments**
  - State/Commonwealth Government Bonds
  - Interest Bearing Accounts
  - Bank Accepted/endorsed bank bills.

## Overall Portfolio Limits

16. 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

17. 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.

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum %
AAA	A-1+	45%
AA	A-1	35%
Bendigo Bank A-	Bendigo Bank A-2	50%
A	A-2	20%

18. If the credit rating of any counterparty is downgraded such that any investment held with the party no longer comply's with this investment policy, the investment will be divested as soon as practicable, subject to due consideration of penalties and lost interest. Due to the community benefit provided by Bendigo Bank through community grants and face to face banking within the Shire it has a greater investment allocation than the other institutions.

## Term to Maturity Framework

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

Overall Portfolio Return to Maturity	Minimum	Maximum
Up to 12 months	100%	100%
13 to 24 months	0%	30%
25 to 36 months	0%	20%

20. Officers delegated to invest must take into account ongoing liquidity requirements when placing investments to ensure availability of funds to meet the Shire's payment obligations as and when they fall due.

## Measurement

21. 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.

## Reporting

22. A monthly report will be provided to Council in the monthly financial report . The report will detail the investment portfolio, percentage exposure of total portfolio, maturity date and changes in market value.
23. 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.

## DELEGATION AND AUTHORISATION

24. The power to invest and manage investments has been delegated to the Chief Executive Officer and nominated sub-delegates as per delegation 1.2.25 Power to Invest and Manage Investments.

## LEGISLATION

- *Local Government Act 1995*
- *Local Government (Financial Management) Regulations 1996*
- *The Trustees Act 1962*

## GOVERNANCE

### Related Policy(s):

- Nil.

### Related Procedure(s):

- Nil.

### Revision Requirements and Version Control:

<b>Responsible Department(s):</b>	Finance and Corporate			
<b>Review to be conducted by:</b>	Director Finance and Corporate			
<b>Revision Frequency:</b>	<input type="checkbox"/> Annual (1yr)	<input checked="" type="checkbox"/> Biennial (2yr)	<input type="checkbox"/> Triennial (3yr)	
<b>Current Version Date:</b>	27/05/2026	<b>Next Due:</b>	2028	
<b>Policy Version Details and Information:</b>				
#:	Synopsis:	Date:	Ref.:	Synergy:
1	Initial adoption of Policy	28/03/2001	N/A	N/A
	<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:                             <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> </li> </ul>	10/03/2021	213/21	NPP8036
3	<ul style="list-style-type: none"> <li>- Reviewed and reformatted to new template;</li> <li>- Amendment made to reduce the Bendigo Bank portfolio limit to 50%.</li> </ul>	27/08/2025	157/08-25	NPP16044
4	<ul style="list-style-type: none"> <li>- Policy reviewed and streamlined to improve clarity and usability, including removal of the Appendix, benchmarking section, and Investment Advisor provisions. Amendments made to simplify credit rating guidance and consolidate requirements. Minor wording updates undertaken throughout for consistency, and revision frequency updated to biennial.</li> </ul>	27/05/2026	82/05-26	MONARCH-159415999 0-166