

Council Policy

Investment Policy

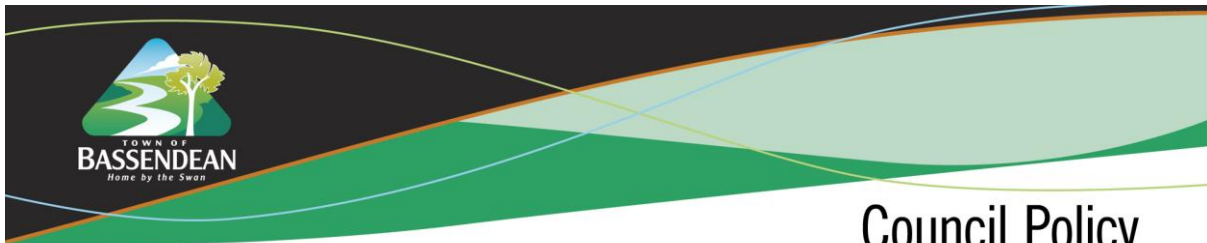
Objective

To invest funds to ensure the maximisation of returns with due consideration of the associated risks, whilst protecting the initial capital investment and future cash flows.

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

Investments are to be made in accordance with legislative requirements of the Local Government Act and the associated Regulations.

- Preservation of capital is the principal objective of the investment portfolio. Investments are to be undertaken and in a manner that ensures security and safeguard the Town's 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 yield 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.
- Preference will be given to invest in financial institutions who do not invest in or finance the fossil fuel industry.
- The Town will not make investments in companies that derive any revenues in the following areas of activity:
 - a) Controversial weapons: Companies involved in the manufacture and/or production of controversial weapons such as land mines, cluster bombs and nuclear weapons;
 - b) Tobacco: Companies involved in the manufacture and/or production of tobacco products.
- The Town will not make investments in companies that derive 10% or more of their revenues in the following areas of activity:
 - a) Armaments: Companies involved in the manufacture and/or production of armaments;
 - b) Gambling: Companies involved in the manufacture and/or production of gambling machines and services and/or ownership of outlets housing these machines;
 - c) Old growth logging: Companies involved in the logging of old growth forests.
 - d) Uranium Mining/Nuclear: companies involved in uranium mining and production of nuclear energy.



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- The Town has determined that the Fund will not make investments in companies that derive 1/3 (one-third) or more of their revenues in high carbon sensitive activities.
- The Town will not engage in leverage investments of securities.

Legislative Requirements

All investments are to comply with the following:

- Local Government Act (WA) 1995
- Trustees Act (WA) 1962 (As amended as at the 16 January 2013)
- Local Government (Financial Management) Regulations 1996

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. (*Section 6.14 of the Local Government Act 1995 & Section 19 of the Local Government (Financial Management) Regulations 1996*).

Ethics and Conflicts of Interest

In accordance with the Town's Code of Conduct, Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. All disclosures are to be in accordance with the Town's Code of Conduct.

A local government officer must act with the care, prudence, skill and diligence that a prudent person acting in like capacity under similar circumstances would act.

Authorised Institution Investments

This policy authorises investment of the Town's funds, including surplus funds, with an Authorised Deposit-taking Institution as defined in the *Banking Act 1959* (Commonwealth) section 5.

Investments are limited in accordance with the requirements of the Local Government Act (Financial Management) Regulations 19C which provides:

19C. Investment of money — Restrictions on Act S6.14(2)(a)

- (1) *In this regulation —*
authorised institution means —



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- (a) *an authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or*
- (b) *the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986;*

foreign currency means a currency except the currency of Australia.

- (2) *When investing money under section 6.14(1), a local government may not do any of the following —*
- (a) *deposit with an institution except an authorised institution;*
 - (b) *deposit for a fixed term of more than 3 years;*
 - (c) *invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;*
 - (d) *invest in bonds with a term to maturity of more than 3 years;*
 - (e) *invest in a foreign currency.*

Overall Portfolio Limits

To control the Credit quality on the entire portfolio, a global credit framework will apply to limit the percentage of the portfolio exposed to any particular rating category as outlined below.

The maximum available limits in each category are as follows:

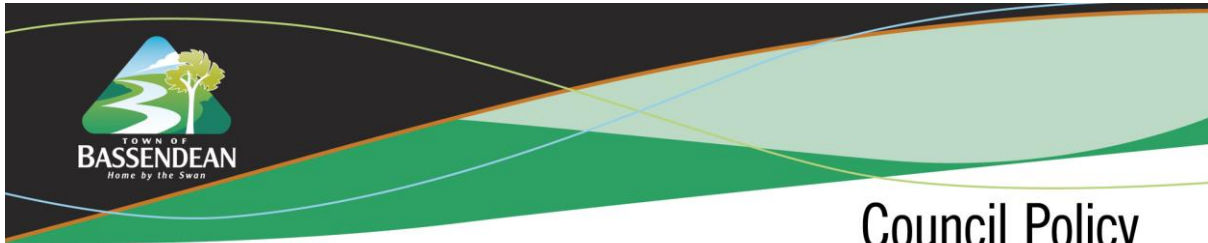
S & P Short Term Rating	Direct Investment Maximum %
A-1	100%
A-2	60%

Counterparty Credit Limit

All investments made on behalf of the Town of Bassendean will comply where applicable, with the credit guidelines based on the S&P ratings for each institution. Exposure to an individual institution will be restricted, where applicable, by their S&P rating so that single entity exposure is limited, as detailed in the table below:

S & P Short Term Rating	Direct Investment Maximum %
A-1	50%
A-2	30%

Investment Advisor



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The Town may appoint an investment advisor who 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 being recommended in accordance with the terms and conditions of this policy.

Reporting and Review

A monthly report will be provided to Council in support of the monthly statement of activity. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio and maturity date.

Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.

For audit purposes, 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.

GLOSSARY OF TERMS

Local Government Act 1995

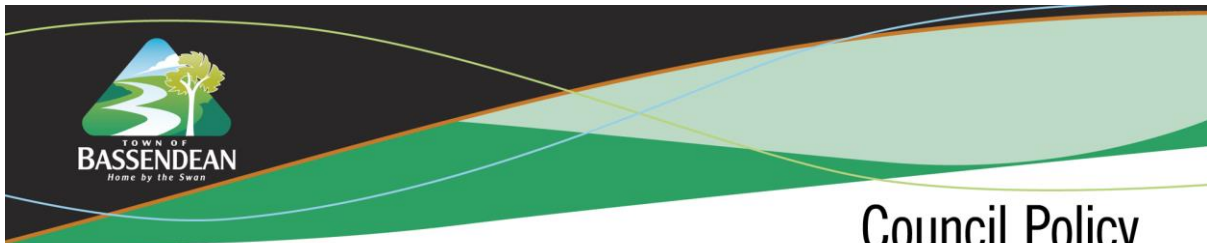
Section 6.14 of the Local Government Act 1995 provides that "subject to regulations, money held in the municipal fund or the trust fund of a local government that is not, for the time being, required by a local government for any other purpose may be invested in accordance with "Part III of the Trustees Act 1962" (Trustees Act)"

Local Government (Financial Management) Regulations 1996

Regulation 19 of the Local Government (Financial Management) Regulations 1996 states a local government is to "establish and document internal control; procedures to be followed by employees to ensure control over investments"

Regulation 19C provides for the definition of the authorised institution, and the limitation of the investment funds.

Regulation 28 and 49 prescribe the disclosure requirements for investment in the Annual Budget and Annual Financial Report respectively. Additional disclosure requirements are also provided under the Australian Accounting Standards.



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As part of the reporting requirement under Regulation 34 Financial Activity Statement Report, each local government is to include in its monthly statement of financial activity any supporting information considered relevant by the local government. This should include a monthly investment summary to ensure the performance of the investment portfolio is in accordance with anticipated returns and complies with the investment policy.

Preservation of Capital

Preservation of capital refers to an investment strategy with the primary goal of preventing losses in an investment portfolio's total value.

Prudent Person Rule

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

Trustees Act 1962

Section 17 of the Trustees Act 1962, states "a trustee may, unless expressly prohibited by the instrument creating the trust -

- (a) invest trust funds in any form of investment; and
- (b) at any time, vary an investment or realise an investment of trust funds and reinvest money resulting from the realisation on any form of investment".

INVESTMENT DEFINITIONS

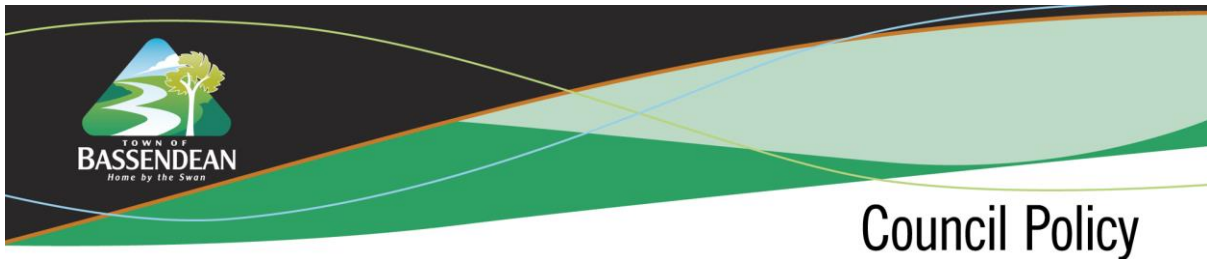
Authorised institution means —

- (a) an authorised deposit-taking institution as defined in the *Banking Act 1959* (Commonwealth) section 5; or
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Reference – Local Government Act (Financial Management) Regulations

Bonds



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Bonds are financial securities issued by the Commonwealth, State or Territory government authorities as a means of raising funds. These securities are restricted to maturity of less than 3 years.

Security investments

Security investments (also known as 'negotiable certificates of deposit' or 'bills of exchange' accepted or endorsed by Australian banks) are 'discount securities' because they are sold at a discount to their face value. The difference between the purchase price (amount invested) and the face value (amount at maturity) represents the interest earned.

Term deposit

A Term Deposit is an investment where the interest rate is guaranteed not to change for the whole of the nominated term. It provides the security of knowing that interest income is protected from fluctuations in investment markets.

S&P Credit Ratings

S&P stands for Standard and Poors, which is a globally accredited professional organisation that provides analytical services. An S&P credit rating is an opinion of the general creditworthiness of an obligor with respect to particular debt security or other financial obligation based on relevant risk factors.

Credit ratings are based, in varying degrees, on the following considerations:

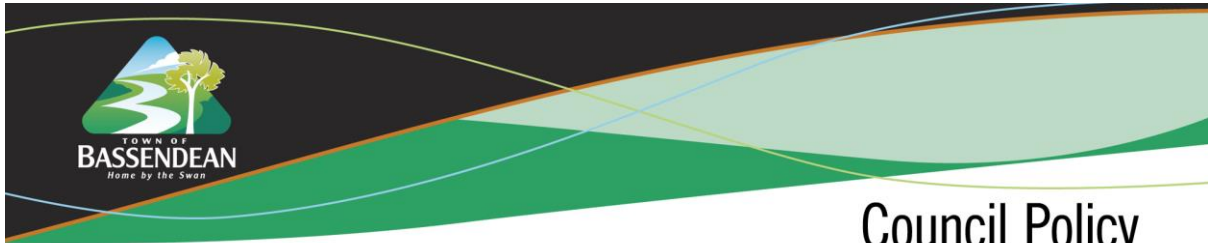
- Likelihood of payment;
- Nature and provisions of the obligation; and
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization or other laws affecting creditors' rights.

The issue rating definitions are expressed in terms of default risk.

S&P Short Term Credit Rating A-1

This is the highest short term category used by S&P. The institutions capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

S&P Short Term Credit Rating A-2



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A short term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the institutions capacity to meet its financial commitment on the obligation is satisfactory.

Application

Responsibility for the implementation of this policy rest with the Mayor, Councillors, Council delegates and Chief Executive Officer. The Policy is to be reviewed every three years or as required in the event of legislative changes.

Policy Type: Strategic Policy	Responsible Officer: Chief Executive Officer
Link to Strategic Community Plan: Leadership and Governance	Delegated Authority: Director Corporate Services Manager Corporate Services
	Last Review Date: January 2018
	Next Review due by: March 2019