



**POLICY**

<b>TITLE:</b>	<b>INVESTMENTS</b>	<b>CODE:</b>	<b>AF306</b>
<b>PURPOSE or OBJECTIVE:</b>	To define the requirements and conditions under which the administration may invest City funds surplus to requirement or not required for immediate use.		
<b>REFERENCE DOCUMENTS:</b>	Local Government Act 1995 Local Government (Financial Management) Regulations 1996 Trustees Act 1962 Banking Act 1959 (Cth) Australian Accounting Standards (AAS) WA Dept of Local Government – Local Government Operational Guideline 19 - Investments		

**POLICY STATEMENT**

**Subject to the provisions of this policy, funds surplus to requirement or the immediate needs of the City may be invested in approved products available from authorised institutions, or in a fund established by the City for the acquisition of public open space under the City Town Planning Scheme.**

**1. Scope**

This policy applies to City employees authorised to invest City funds or funds managed by the City.

**2. Definitions**

*authorised institution* Means:  
 (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.

*Town Planning Schemes – Public Open Space* are legislated development instruments established by the City in which it may invest funds to assist with the purchase of public open space required by the various Town Planning Schemes.

**3. Principles**

The City’s investments are to be guided by the following principles:

- as highest priority, the preservation and security of the invested capital.
- maintaining sufficient liquidity in the fund from which it is drawn to meet the operational requirements of that fund.
- a reasonable investment rate of return based on market testing.

#### 4. Approved Investment Products

City funds may be invested in one or more of the following financial products:

- (a) Fixed Term Deposits
- (b) Commercial Bank Bills
- (c) Government Bonds
- (d) A fund established under a Town Planning Scheme for the acquisition of public open space.

#### 5. Prohibited Products

City funds may not be invested:

- (a) with an institution except an authorised institution;
- (b) for a fixed term of more than 36 months;
- (c) in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
- (d) in bonds with a term to maturity of more than 3 years;
- (e) in a foreign currency.

#### 6. Approved Authorised Institutions

City funds may be only be invested with the following authorised institutions:

- (a) Licensed Australian Banks with a current Long Term *Standard and Poors (S&P)* rating of BBB or better
- (b) Licensed Australian Banks with a current Short Term *Standard and Poors (S&P)* rating of A3 or better
- (c) Bonds issued and guaranteed by the Commonwealth, State or Territory government within Australia
- (d) Western Australian Treasury Corporation.

#### 7. Risk Management Guidelines

- (i) Investments obtained are to comply with three key criteria relating to:
  - Portfolio Credit Framework: Limit overall exposure of the portfolio as a whole, according to credit rating.
  - Counterparty Credit Framework: Limit exposure to individual counterparties /institutions, based on credit rating.
  - Term to Maturity Framework: limits based upon maturity of securities to ensure adequate working capital needs are met.
- (ii) Investment Risk Limits
  - (a) Portfolio Credit Framework

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.

<b>Long Term &gt;1 – 3 Years</b>	<b>Short Term 1 - 365 Days</b>	<b>Maximum % Within Credit Rating Category</b>	<b>Capacity to Repay</b>
AAA	A-1+	100%	Extremely strong
AA+ to AA-	A-1	100%	Very strong
A+ to A-	A-2	60%	Strong
BBB+ to BBB-	A-3	20%	Adequate

(b) Counterparty Credit Limit.

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>Long Term &gt;1 – 3 Years</b>	<b>Short Term 1 - 365 Days</b>	<b>Maximum % at Any Time with One Licenced Bank</b>	<b>Capacity to Repay</b>
AAA	A-1+	40%	Extremely strong
AA+ to AA-	A-1	30%	Very strong
A+ to A-	A-2	20%	Strong
BBB+ to BBB-	A-3	10%	Adequate

(c) Term to Maturity Framework

The investment portfolio is to be invested within the maturity constraints as imposed by Regulation.

Commercial Bank Bills

- maximum of 25% of the total investment portfolio at any time.

(iii) Credit Ratings

- If any of the City's investment bankers are downgraded to such an extent that they no longer fall within the recommended guidelines, the investment will be divested as soon as is possible. The minimum rating that an institution qualifies for Council funds will be BBB-/A3.

## 8. Supporting Sustainable Energy

To reduce City's overall carbon footprint and wasteful use of natural resources, preference is to be given to financial institutions that invest in sustainable energy sources where:

- The investment is compliant with the City's Investment Policy; and
- The investment rate of interest is favourable to the City relative to other similar investments that may be on offer to the City at the time of the investment.

## 9. Investment – Employee Obligations

Employees responsible for making and managing investments must:

- At all times exercise due care, diligence and the skill expected of a prudent person.

- (b) Obtain at least two quotes from different authorised institutions for any new, or renewed, investments and maintain a record of those quotes, together with comparative published market rates of competitive authorised institutions at that time.
- (c) Disclose to his or her manager any perceived or actual conflict of interest as defined in the City's *Conflicts of Interest Management* policy (CM191).

## 10. Reporting

A monthly report on the City's Investment Portfolio is to be presented to Council detailing the following:

- (a) Summary of funds invested
- (b) Details of individual investments showing:
  - Institution name, Current S&P rating, Investment type, Maturity Date, Interest Date, Principal Amount and
  - Any other relevant information
- (c) Chart of the investment portfolio by:
  - Institution name
  - Fund (Municipal, Trust and Reserve funds)
  - Remaining term
- (d) Details of investments purchased in the period since last reported
- (e) Details of investments redeemed in the period since last reported
- (f) Variation to policy

## 11. Variation to Policy

- (a) The Chief Executive Officer or his delegated officer is authorised to approve temporary variations to this policy if the investment is to Council's advantage and/or due to revised legislation.
- (b) All variations to this policy are to be reported to Council as soon as possible.

### GOVERNANCE REFERENCES

<b>Statutory Compliance</b>	Local Government Act 1995 – s.6.14 Local Government (Financial Management) Regulations 1996 – r.19C
<b>Process Links</b>	N/A

### POLICY ADMINISTRATION

Program	Officer Title	Authority to Approve	
Canning Community and Commercial	Director Canning Community and Commercial	Council	
Version	Decision Reference	Synopsis	Delegation No.58
1	16.9.2014	Previous policy AF306 (Adopted 26.3.2013) redrafted.	
1	Audit Cttee 4/12/2014 (AC-027-14)	Adopted OCM 16/12/2014	
2	OCM 19.9.2017 (CC-017-17)	Amended and adopted (D17/125299)	
3	OCM 19-02-19	Adopted no changes	