

Investment Policy

Objective

The objective of the Investment Policy is to invest the Shire of East Pilbara'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, and having regard for the local banks, while ensuring that its liquidity requirements are being met.

Policy

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

1. 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 management of credit and interest risk within identified thresholds and parameters.
2. The investment portfolio will be managed to 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.
3. The investment is expected to achieve a predetermined market average rate of return that takes into account the Shire's risk tolerance. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

Legislative Requirements

All investments are to comply with the following:

- *Local Government Act 1995* (as amended) – Section 6.14;
- *The Trustees Act 1962* – Part III Investments;
- *Local Government (Financial Management) Regulations 1996* – Regulation 19, 19C, 28 and 49; and
- Australian Accounting Standards

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*. The CEO may, in turn, delegate the day-to-day management of the Shire's Investment to senior staff, subject to regular reviews.

Prudent Person Standard

The investment will be managed with the care, diligence and skill that a prudent person would exercise. Officers are to manage the investment portfolio to safeguard the portfolio in accordance with the spirit of this Investment Policy and not for speculative purposes.

Ethics and Conflicts of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of Shire's investment portfolio. This policy requires Officers to disclose any conflict of

interest to the CEO.

Approved Investments

Without approval from Council Investments are limited (in accordance with Regulation 19C of the *Local Government (Financial Management) Regulations 1996*), to Australian currency denominated:

- Interest Bearing term deposits with Authorised Deposit Taking Institutions (ADIs – Australian banks, building societies & credit unions) for a term not exceeding 3 years.
- Interest Bearing deposits with the Western Australian Treasury Corporation (WATC) for a term not exceeding 3 years.
- Bonds guaranteed by the Commonwealth Government or State or Territory for a term not exceeding 3 years.

Prohibited Investments

This policy, in accordance with legislation, prohibits:

- Any investment not included in the Approved Investments section.
- The use of leveraging (borrowing to invest) for a monetary investment.

Risk Management Guidelines

Investments obtained are to comply with three key criteria relating to:

- a. Portfolio Credit Framework: limit overall credit exposure of the portfolio
- b. Counterparty Credit Framework: limit exposure to individual counterparties/institutions
- c. Term to Maturity Framework: limits based upon maturity of securities

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.

Long Term Credit Rating *	Investment Maximum %
AAA	100%
AA	100%
A	80%
BBB	60%

B. Counterparty Credit Framework

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:

Long Term Credit Rating *	Investment Maximum %
AAA	50%
AA	50%
A	40%
BBB	30%

* Ratings are based on Standard & Poor's (S&P) criteria. Moody's or Fitch equivalent will be used where an S&P rating is not available.

If any of the Shire's investments are downgraded such that they no longer fall within the Investment Policy, they will be divested as soon as practical.

C. Term to Maturity Framework

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

Term to Maturity Limits	Minimum %	Maximum %
Less than or equal to 1 year	40%	100%
Greater than 1 year & less than or equal to 3 years	0%	60%

Performance Benchmark

The performance of the investment portfolio shall be measured against the industry standard Ausbond Bank Bill Index and/or the Reserve Bank of Australia's Official Cash Rate.

Report 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, maturity date and changes in market value.

This Investment Policy will be reviewed at least once a year or as required in the event of legislative changes.

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 Shire's behalf as at 30 June each year and reconciled to the Investment Register

Authorisation Details

References:	<i>Local Government Act 1995</i> (as amended) – Section 6.14; <i>The Trustees Act 1962</i> – Part III Investments; <i>Local Government (Financial Management) Regulations 1996</i> – Regulation 19, 19C, 28 and 49; and Australian Accounting Standards		
Authorised by:	Council		
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Responsible Officer	Manager Financial Services		
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