

COUNCIL POLICY LG511

INVESTMENTS

KEY FOCUS AREA LEADERSHIP AND GOVERNANCE

Purpose

The purpose of the Policy is to provide direction and guidelines on the investment of funds.

Policy

Council provides the following guidance to the administration in relations to investments.

1. Investments must be ethically sound and not have the potential to undermine confidence in the Council.
2. Funds are invested in a responsible manner that results in returns being maximised and risk being minimised. Risk minimisation strategies will include:
 - a. Having a balanced and diversified portfolio;
 - b. Avoiding high risk investments;
 - c. Frequent monitoring of investments;
 - d. Monitoring the investment environment; and
 - e. Obtaining external expertise as necessary (Investment advisor must be licensed by Australian Securities and Investment Commission).
3. Unless otherwise specifically authorised by Council, investments shall be in:
 - a. State/Commonwealth or Local Government Bonds;
 - b. Interest bearing term deposits with Western Australian Treasury Corporation or Authorised Deposit Taking Institutions (ADI's);
 - c. Bank accepted /endorsed bank bills;
 - d. Bank negotiable Certificates of Deposit.
4. Stand-alone securities that have underlying futures, options, forwards contracts and swaps of any kind, which includes Collateralised Debt Obligation (CDO)'s are prohibited.
5. Fund investments are to be assessed in accordance with Standard & Poor's (S and P) rating agency. The credit rating is a current opinion in overall financial capacity to meet financial obligations. Council will not invest in products that have a rating of less than A.
6. Investments are to comply with the following criteria relating to:

a. Portfolio Credit Framework

Limits overall credit exposure of the portfolio to S and P related institutions as follows:

S and P Long-Term Rating	S and P Short-Term Rating	Direct Investment
AAA	A-1+	100%
AA	A-1	100%
A	A-2	30%

b. Counterparty Credit Framework (Diversification)

The amount invested with any one institution should not exceed the following percentages (restricted by the institution's credit rating) so that single entity exposure is limited (institution is defined as including wholly owned subsidiaries):

S and P Long-Term Rating	S and P Short-Term Rating	Direct Investment
AAA	A-1+	60%
AA	A-1	35%
A	A-2	10%

c. Term of Maturity Framework

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

Overall Portfolio Return to Maturity		
Portfolio % <1 year	Min 40%	Max 100%
Portfolio % >1 year < 3 years	Min 0%	Max 60%

d. Liquidity

Officer with delegated authority to invest must ensure the ongoing liquidity, including availability of funds to meet Council's payment obligations, before committing funds for investments.

Not less than two (2) quotations shall be obtained from authorised institutions before investing.

Document Control Box			
Legislation:	<i>Local Government (Financial Management) Regulation 1996</i> <i>Local Government Act 1995</i>		
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1.	Adopted	21 September 2010	205/10
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