CF014	INVESTMENTS		
POLICY OWNER:	Council		
DEPARTMENT:	Office of the CEO	**RESPONSIBLE OFFICER:**	DCEO
CREATION DATE:	23/08/2022	**REVIEW SCHEDULE:**	Annually
RELATED PROCEDURES:			
RELATED FORMS:			
RELATED DELEGATIONS:			
RELATED POLICIES:			
LEGISLATION:	s6.14 Local Government Act 1995 Trustees Amendment Act 1997 Reg 19 Local Government (Financial Management) Regulations 1996		
DOCUMENT CONTROL			
DATE REVIEWED:	**REVIEWED BY:**	**CHANGES (IF ANY):**	**ENDORSED BY COUNCIL:**
23/08/2022	Council	Nil	FC7/8/22
28/11/2023	Council	Nil	OCM 11/11/23
24/09/2024	Council	Nil	OCM03/09/24

CF014 Investments

OBJECTIVES

To invest the Shire's surplus funds, with consideration of risk and the most favourable rate of interest available to it at the time, for that investment type, whilst ensuring that the Shire's liquidity requirements are being met.

POLICY STATEMENT/S

Authorised Institution - means an Australian registered bank in accordance with the Banking Act. While exercising the power to invest, consideration is to be given in preservation of capital, liquidity, and the return of investment.

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.

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 investment.

The investment is expected to achieve a predetermined market average rate of return that considers the council's risk tolerance. Any additional return target set by council will also consider the risk limitation and prudent investment principles.

Approved Investments

With approvals from Council, investments are limited to:

- State/Commonwealth Government Bonds with a term of maturity not exceeding three years,

- Fixed term deposits placed with an authorised institution for a term not exceeding 12 months,
- Interest bearing deposits placed with an authorised institution

<u>Prohibited Investments</u>

This Policy prohibits any investment carried out for speculative purposes including the following:

- Derivative based instruments,
- Principle only investments or securities that provide potentially nil or negative cash flow, and
- Stand-alone securities issued that have underlying futures, options, forward contracts, and swaps of any kind,
- The use of leverage (borrowing to invest) of any investment.
- Deposits with any institution other than an authorised institution.
- Deposits for a fixed term of more than 12 months.
- Investment in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory Government.
- Investment in bonds with a term of maturity of more than three years.
- Investment in a foreign currency
- Investment opportunity to be considered by Council

<u>Risk Management</u>

Investments obtained are to comply with the following three criteria:

<u>Overall Portfolio Limits</u>

To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any 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	100%

<u>Counterparty Credit</u>

Framework The Shire of Carnarvon will invest funds with authorised financial institutions that provide a service to the local community by establishing branches or agencies in the Shire of Carnarvon.

Such institutions must maintain a minimum Standard and Poors rating of A for short term investments.

<u>Term to Maturity Framework</u>

OVERALL PORTFOLIO TERM TO MATURITY LIMITS	
Portfolio % < 1 Year	100% maximum, 40% minimum
Portfolio % 1-3 Years	60%

Performance Measurement

Performance benchmarks will be as follows:

INVESTMENT	PERFORMANCE BENCHMARK
Cash	Cash rate
Enhanced/Direct investments	UBSWA Bank Bill Rate
Diversified Funds	CPI + appropriate margin over rolling 3-year periods (depending on composition of fund)

Report and Review Compliance Requirements

A monthly report will be provided to Council in support of the monthly Statement of Financial 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 the Investment Register.

Certificates must be obtained from the financial institutions confirming the amounts of investments held on the Council's behalf as of 30 June each year and reconciled to the Investment Register.