

Finance

Investments

Objective

To provide guidance for the investment of the Shire of Koorda's ("the Shire's") funds that may not be required for immediate use, taking into account legislative requirements and risk while ensuring the Shire's liquidity requirements are being met, along with a favourable rate of return.

Policy

This Policy applies to all funds (including general funds, reserve funds and other restricted funds) invested by the Shire.

Delegated Authority to Invest

The Officers authorised to make investment decisions and sign investment lodgements and withdrawals, having full delegated authority are outlined in the *Shire of Koorda Delegation: 4.3 Power to Invest and Manage Investments*.

Authorised Institutions

Investments are limited to authorised institutions, in accordance with Local Government (Financial Management) Regulations Section 19C, being:

- Authorised deposit taking institution (ADI) as defined in the Banking Act 1959 (Commonwealth) section 5 or
- Western Australian Treasury Corporation.

Authorised Investments

Authorised investments shall be limited to Australian currency (AUD)

- Term Deposit.
- Bonds guaranteed by the Commonwealth Government, or a State or Territory government.
- Fixed term up to 3 years
- Investments to be equal to or above the Shire's minimum credit rating based on Standard & Poor's classification.

Risk Management Controls

Risk management controls include:

- Delegated Authority to invest
- Documented investment procedures
- Management reporting (monthly investment reports)
- Utilisation of Standard & Poor's credit rating

Risk Profile

The following table sets out the Shire's limits for investment in any one category and as presented provides no risk mitigation via diversity. That is, the Shire relies on the conservative minimum credit rating of the investment class selected to mitigate risk rather than diversity.

Investment Type	Minimum Credit Rating*	Maximum Term	Minimum %	Maximum %
Term Deposits	AA-	3 years	0	100
Government Bonds	AA-	3 years	0	100

*Based on Standard & Poor's credit ratings

As depicted below the Standard and Poor's Corporation AA- is a conservative investment rating among the highest in obligor's capacity to meet its financial commitments

Council recognises its obligations under the “Prudent Person” rule by seeking to adhere to an investment policy with a conservative bias.

S&P RATING	INVESTMENT RISK
AAA	Extremely strong capacity to repay debt.
AA+	Very strong capacity to repay but susceptibility to long-term risks.
AA	
AA-	
A+	Strong capacity to repay debt but somewhat more susceptible to adverse effects of changes in economic conditions.
A	
BBB	Adequate capacity to repay debt however adverse economic conditions more likely to lead to weakened capacity.
BB	Speculative grade with major ongoing uncertainties.

As of January 2024, Australian authorised deposit taking institutions were allocated the following S&P credit ratings.

RANK	INSTITUTION	S&P RATING	RISK
1	ANZ	AA-	Very strong capacity to repay but susceptibility to long-term risks.
2	CBA	AA-	
3	NAB	AA-	
4	Westpac	AA-	
5	Bankwest	AA-	
6	Suncorp	A+	Strong capacity to repay debt but somewhat more susceptible to adverse economic conditions.
7	Macquarie Bank	A+	
8	HSBC	A+	
9	Citigroup	A	Adequate capacity to repay debt however adverse conditions more likely to lead to weakened capacity.
10	Bendigo	BBB+	

Prohibited Investments

In accordance with Local Government Financial management regulation 19C(2) this investment policy prohibits any investment in the following:

- Deposits with an institution except an authorised institution
- Deposits for a fixed term of more than 3 years
- Investment in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory Government
- Investment in bonds with a maturity of more than 3 years
- Investment in foreign currency

Management Reporting

A report will be provided to Council within the monthly Financial Activity Statement that includes the details of the Authorised Institution, interest rate and maturity date.

Documentary evidence must be held for each investment and details thereof maintained in an Investment Register retained in the Shire’s Corporate Record Keeping Systems.

Certificates must be obtained from the financial institutions and retained in the Shire’s Corporate Record Keeping Systems, confirming the amounts of investments held on the Shire’s behalf as at 30 June each year and reconciled to the Investment Register.

Liquidity

While the policy confirms Regulation 19C that investments cannot be for a fixed term of more than three years, operational requirements and cashflow management will mostly require investment terms of less than six months.

The Shire cash flow report is to be monitored regularly to ensure cash funds are available to meet commitments.

Maturity analysis report to be monitored at least monthly.

Any surplus cash not required for operating needs will be maintained in an interest earning account with the Shire's preferred banking provider, or with an ADI in adherence with this policy.

Related Documents (Legislation/Local Law/Policy/Procedure/Delegation)

Shire of Koorda Delegation: 4.3 Power to Invest and Manage Investments

Local Government Act 1995 – section 6.14

Local Government (Financial Management) *Regulations 1996*

The Trustees Amendment Act 1962 – Part III

Review History

Date	Council Resolution	Description of review/amendment
17/04/2024	RES: 060424	V1.0. Update policy wording.
Former Policy No: F1 Investments		
21/03/2018	RES: 050318	Amendment of Policy
17/08/2016	RES: 050816	Amendment of Policy
31/07/2000		Adoption of Policy

