

FINANCE POLICY 3

SUBJECT - Investments

1.1 Policy Purpose

The purpose of this policy is to provide guidance to Council officers on the appropriate forms of investments for Council funds.

1.2 Policy Objectives

- To follow a conservative approach towards investing reserve and surplus municipal Council funds.
- To provide an approved list of investment options.
- To comply with Section 6.14 of the Local Government Act 1995 - ("Prudent Person" rule)

2.1 Policy

It is Council policy that the Council funds are invested under the following guidelines:

1. Delegation of Authority

As per the delegation register under delegation 19 Investing Funds Not Required, the CEO delegates the power to invest to the Deputy Chief Executive Officer.

2. Authorised Institutions

In accordance with Local Government (Financial Management) Regulations Section 19C the Shire can only invest in the following institutions;

1. Authorised deposit-taking institution** as defined in the Banking Act 1959 (Commonwealth) section 5; or
2. The Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986.

**Authorised Deposit-taking Institutions (ADIs) are corporations which are authorised under the Banking Act 1959. ADIs include; banks, building societies and credit unions.

All ADIs are subject to the same Prudential Standards but the use of the names 'bank', 'building society' and 'credit union' is subject to corporations meeting certain criteria.

3. Authorised Investments

The only types of authorised investments under Local Government Act 1995 section 6.14(1) are as follows;

1. Deposits with an authorised institution and the term is to be no more than 12 months;
2. Bonds that are guaranteed by the Commonwealth Government, or a State or Territory government with a term to maturity of up to 3 years; and
3. Australian currency only.

4. Prudent Person Considerations

The main features of the prudent person rule include:

- Exercising the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons; and
- A duty to invest funds in investments that are not speculative or hazardous.

In exercising powers of investment, there are important matters for consideration:

- The purpose of the investment and the needs and circumstances;
- The desirability of diversifying investments and the nature of and risk associated with existing investments;
- The need to maintain the real value of capital and income; The risk of capital or income loss or depreciation; The potential for capital appreciation;
- The likely income return and timing of the income return; The length of the term of the proposed investment;
- The liquidity and marketability of the proposed investment; The aggregate value of the investment;
- The effect of the proposed investment in relation to the tax liability (if any);
- The likelihood of inflation affecting the value of the proposed investment; and

- The costs of making the proposed investment; the results of a review of existing investments.

Adopted by Council:

Review Date: 31 March 2015

Responsible Officer: Deputy Chief Executive Officer