

2.25 INVESTMENT OF SURPLUS FUNDS

Responsible Directorate	Corporate Services	
Responsible Service Area	Finance	
Resolution	November 2024	C15.11.24
Delegation Ref	CE-2	
Procedure Ref	N/A	

1. PURPOSE

To provide direction on the investment of funds which are surplus to the Shire's immediate requirements, with consideration of risk and at the most favourable rate of interest available to it at the time, for that investment type, while ensuring that its liquidity requirements are being met.

2. SCOPE

This policy applies to the investment and management of all funds held by the Shire, including operating accounts, investment accounts and funds managed under a Trust.

3. POLICY

Municipal, Trust and Reserve funds surplus to the immediate needs of the Shire may be invested with approved financial institutions in accordance with the risk ratings and diversification requirements detailed under "Approved Investments" in this policy.

Subject to the policy objectives and risk management guidelines outlined in this document, the Shire will ensure its financial investments consider the reduction of fossil fuels, by investing with non-fossil fuel lending banks. The Shire will refer to the research of third party bank services to determine eligible non-fossil fuel lending banks.

3.1. Rationale

Local governments are required to establish and document internal control procedures to ensure control over investments and that effective and accountable systems are in place to safeguard the Shire's financial standing.

3.2. Objectives

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

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.

3.3. Legislative Requirements

All investments are to be made in accordance with and to comply with the following:

- *Local Government Act 1995*, section 6.14
- *Trustees Act 1962*, part III Investments
- *Bank Act 1959*
- *Local Government (Financial Management) Regulations 1996*, regulations 19 and 19C.

3.4. Ethics and Conflicts of Interest

Officers authorised under the relevant delegations shall refrain from personal activities that would conflict with the proper execution and management of the Shire's investment portfolio. As required by the Shire's Code of Conduct for Employees, officers are required to disclose any conflict of interest.

3.5. Approved Investments

Without prior approvals from Council, investments are limited to investments with banks (within the meaning of the *Bank Act 1959*) and shall be within the percentage limits set out in the table below. When placing investments, consideration should be given to the relationship between credit rating and interest rate.

Long Term Rating (Standard & Poor's)	Short Term Rating (Standard & Poor's)	Maximum % with any one Institution	Maximum % Total Portfolio
AAA category	A1+	35%	100%
AA category	A1+	30%	90%
A category	A1	15%	80%
BBB category	A2	10%	15%

If any of the investments held are downgraded such that they no longer fall within the above listed credit ratings and exposure limits, they shall be divested immediately or as soon as possible.

3.6. Prohibited Investments

In accordance with regulation 19C of the *Local Government (Financial Management) Regulations 1996* when investing money, the Shire of Mundaring will not do any of the following:

- Deposit with an institution except an authorised institution (an authorised deposit-taking institution as defined in the *Banking Act 1959* or the Western Australian Treasury Corporation)
- Deposit for a fixed term for more than three years
- Invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government
- Invest in bonds with a term to maturity of more than three years
- Invest in a foreign currency.

This policy also prohibits any investment carried out for speculative purposes including:

- Derivative based instruments
- Principal only investments or securities that provide potentially nil or negative cash flow
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind
- The use of leveraging (borrowing for investment purposes).

3.7. Reporting and Review

A report will be provided to Council each month detailing the performance of all investments.

Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.

4. RELATED LEGISLATION

Local Government Act 1995

Trustees Act 1962 Part III Investments

Bank Act 1959

Local Government (Financial Management) Regulations 1996

5. RELATED DOCUMENTS

Not Applicable