

F 5 Investments

Policy Objective: *To document and provide the necessary information for the delegated officers to invest surplus funds.*

Policy:

1 Purpose of Policy

- 1.1 The purpose of this policy is to ensure that:
 - The Council conforms with its fiduciary responsibilities under Section 6.14 of the Local Government Act and Section 18 (1)(a) of the Trustees Act 1962 (the 'Prudent Person' rule);
 - At all times, the Council has in place a current set of policies and delegations for its Investments Officers (Delegation number 5); and
 - Adherence to the guidelines by all officers with delegated authority to invest / control surplus funds.
- 1.2 This Policy is to be made available to all employees involved in daily investment decisions.
- 1.3 Notwithstanding the provisions of this Policy, the general financial management obligations imposed under the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996 should at all times be complied with.

2 Prudent Person Rule

- 2.1 The investment options available to local government authorities in Western Australia were altered in June 1997 with changes to the Trustees Act. With the passage of changes to the Trustees Act, the list of prescribed investments has been removed and replaced by the Prudent Person rule.
- 2.2 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.
- 2.3 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.

3 Investment Objectives

- 3.1 To add value through prudent investment of funds.
- 3.2 To have ready access to funds for day-to-day requirements, without penalty.

4 Authority to Invest

- 4.1 The Shire of Ravensthorpe's surplus funds are to be invested in term deposits or negotiable certificates of deposit with one of the "Big Four" Banks in Australia (listed below) and Bankwest. Any proposal to invest funds in another institution, for whatever reason, is to be referred to the Council.
 - Commonwealth Bank of Australia
 - National Australia Bank
 - Westpac Bank
 - ANZ Bank
- 4.2 Investments from the municipal, loan, reserve and trust accounts are to be kept separate and distinct.
- 4.3 Funds may be invested for a term of up to twelve (12) months based on predicted cash flow requirements.
- 4.4 The Deputy Chief Executive Officer places, withdraws or re-invests sums up to \$500,000.00 jointly with the Chief Executive Officer or Deputy Chief Executive Officer in accordance with the Chief Executive Officer's delegation.

- 4.5 The Chief Executive Officer places, withdraws or re-invests sums over \$500,000.00 jointly with Deputy Chief Executive Officer in accordance with the Chief Executive Officer's delegation.
- 4.6 The Council elects to pay for the cost of securing the Federal Government Guarantee on funds if such a guarantee is available.
- 4.7 In accordance with Financial Management Regulation 19C the Shire of Ravensthorpe will not undertake any of the following investment activities
 - Lodge deposits with an institution except an authorised institution;
 - deposit funds for a fixed term of more than 12 months;
 - 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 3 years;
 - invest in a foreign currency.

5 Review and Reporting

- 5.1 A cash flow report is to be monitored by the Deputy Chief Executive Officer at least weekly to ensure cash funds are available to meet commitments.
- 5.2 Investments will be managed actively as they mature with reviews by the Deputy Chief Executive Officer on a monthly basis.
- 5.3 For audit purposes, certificates must be obtained from the bank confirming the amounts of investment held on the Council's behalf at 30 June each year.'