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## 2.12 INVESTMENT POLICY

Distribution:	Elected Members, Executive Management, Finance Officer
Responsible Officer:	Chief Executive Officer
Date Adopted:	2015 – Version 1 – Resolution 8.1.4 032017.OM
Last Review:	March 2024 – Version 3 – Resolution 03-2024 767 (Formerly 4.13)

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### **Purpose**

To manage the Council's investment portfolio in order to maximise return within agreed risk parameters. In achieving this, the following must be maintained:

- a. adequate level of diversification to spread risk;
- b. ready access to funds for day-to-day requirements;
- c. high level of security by using recognised assessment criteria;
- d. adherence to the requirements of Section 6.14 of the Local Government Act 1995 and Section 18(1) of the Trustees Act 1962 (as amended) (the "Prudent Person" rule).
- e. adhere to regulations section 19, 19c, 28 and 49 of the Local Government (Financial Management) Regulations 1996.
- f. investment in financial institutions that are not directly or indirectly funding fossil fuel companies.

### **Scope**

Elected Members, Executive Management, Finance Officer

### **Standard**

### **Risk Profile**

When exercising the power of investment the following are to be given consideration:

- a. the purpose of the investment and the needs and circumstances;
- b. the nature of and risk associated with existing investments;
- c. the likely income return and the timing of such income return;
- d. the desirability of diversifying investments;
- e. the risk of capital or income loss or depreciation;
- f. the costs (including commissions, fees and charges) of making the proposed investment;
- g. the length of the proposed investment; and
- h. investment in financial institutions that are not directly or indirectly funding fossil fuel companies

### **Delegation of Authority**

Authority for implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the Local Government Act 1995. The Chief Executive



Officer may in turn delegate the day-to-day management of the Shire of Goomalling's investment to the Deputy Chief Executive Officer.

### **Prudent Person Standard**

The investment will be managed with the care, diligence and skill that a prudent person would exercise. Officers are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Investment Policy, and not for speculative purposes.

### **Ethics and Conflicts of Interest**

Officers shall refrain from personal activities that would conflict with the proper execution and management of the Shire of Goomalling's investment portfolio. This policy requires officers to disclose any conflict of interest to the Chief Executive Officer.

### **Fossil Free Investments**

"Fossil Free Investments" are authorised investment products made in authorized institutions that respect the environment by not investing in fossil fuel industries.

When investing Council funds, a deliberate preference will be made in favour of authorised institutions that respect the environment by not investing in fossil fuel industries. This preference will however only be exercised after the foremost investment consideration of credit rating and risk diversification are fully satisfied.

The Shire of Goomalling considers the climate crisis a serious threat locally, nationally and internationally. In Paris in 2015, over 190 countries agreed that carbon emissions release should be significantly limited to support world efforts to limit global average temperature increase to 1.5°C above pre-industrial levels. The Carbon Tracker Initiative found that fossil fuel companies possess proven fossil fuel reserves that would release approximately 2,795 gigatons of CO<sub>2</sub> if they are burned, which is five times the amount that can be released without exceeding 2°C of warming. A CSIRO and BOM publication in January 2015 stated that the South West of Western Australia has already warmed by 1.1°C since 1910. The Shire of Goomalling is objectively working towards carbon neutrality, to this end seeks to ensure its financial investments consider the reduction of emissions from burning fossil fuels and to this end the Shire of Goomalling will not invest in financial institutions which directly and/or indirectly support fossil fuel companies.

### **Approved Investments**

Funds may be placed in authorised deposit taking institutions (ADIs), being licensed banks as defined under the Banking Act 1995, which comply with this policy

### **Prohibited Investments**

In accordance with regulation 20 of the Local Government (Financial Management) Regulations 1996 the Shire of Goomalling will not do any of the following:

- a. Deposit with an institution except an authorised institution (as defined in section 5 of the Bank Act 1959);
- b. Deposit for a fixed term of more than 12 months;



## POLICY MANUAL FINANCE

- c. Invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
- d. Invest in bonds with a term to maturity of more than 3 years;
- e. Invest in a foreign currency

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

- a. Derivative based investments;
- b. Principal only investments or securities that provide potentially nil or negative cash flow; and
- c. Standalone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest) of an investment.

### Authorised Counterparties and Exposure Limits

Counterparty Details	Minimum Standard & Poor's Rating	Maximum Exposure as a % of Total Investment Portfolio
11.1 All banks within the meaning of the Banking Act 1959 that comply with this policy. <b>Note:</b> At all times a minimum of 50% of total investments must remain with a Bank	A-1 (short) AA (long)	100%
11.2 Managed (Cash/Treasury) Funds (Unit Trusts) with an average duration of less than one (1) year	Aam AAf	50%
11.3 Managed (Cash/Treasury) Funds (Unit Trusts) with an average duration of less than three (3) years	AAF	30%
11.4 Managed (Fixed Interest) Funds <b>Note:</b> An overall limit of 50% applies to items – i.e.: A mix is acceptable but combined exposure must remain within 50% of total investment portfolio.	Aaf	20%
11.5 Commonwealth Government (Max term three (3) years)	A-1 AA	<1 year 50% >1 Year 20%
11.6 State Government (Maximum Term three (3) years)	A-1 AA	<1 year 50% > 1 year 20%

If any of the Shire of Goomalling's investments are downgraded such that they no longer fall within the investment policy, they will be divested as soon as practicable.



### Term to Maturity Framework

The investment portfolio is to be invested within the following maturity constraints:

Overall Portfolio Term to Maturity Limits	
Portfolio % < 1 Year	100% Maximum, 40% Minimum
Portfolio % > 1 Year	60%

Individual Investment Maturity Limits	
ADI	Three (3) years

### Investment Advisor

If the Shire of Goomalling appoints an investment advisor they must be approved by Council and licensed by the Australian Securities and Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended; and is free to choose the most appropriate product within the terms and conditions of the investment policy.

### Measurement

The investment return for the portfolio is to be regularly reviewed by an independent financial advisor by assessing the market value of the portfolio. The market value is to be assessed at least once a month to coincide with monthly reporting.

### Benchmarking

Performance benchmarks need to be established.

Investment	Performance Benchmark
Cash	Cash Rate
Enhanced/Direct Investments	UBSWA Bank Bill
Diversified Funds	CPI+ appropriate margin over rolling three (3) year periods (depending upon composition of fund)

### Reporting

A monthly report will be provided to Council in support of the month statement of financial activity. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date and changes in market value.

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

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



## **Roles and Responsibilities**

### **Elected Members**

- Ensure policy is reviewed annually

### **Executive Management**

- Ensure compliance with the policy.

### **Finance Officer**

- Ensure compliance with the policy.

## **Legislation**

Local Government Act 1995, Local Government (Financial Management) Regulations 1996,  
Local Government (Financial Management) Amendment Regulations 2012,  
Trustees Act 1962  
Australian Accounting Standards

## **Resource Documents**

### **Local Law**

Nil

### **Delegation**

Not Applicable