

INVESTMENTS

Purpose

To document and provide the necessary information for Shire of Plantagenet (the Shire) delegated officers to invest surplus funds.

Policy

1. Principles

- 1.1. This policy seeks to ensure the following:
 - a) The Council conforms with its fiduciary responsibilities under Section 6.14 of the *Local Government Act 1995* and Section 18 (1)(a) of the *Trustees Act 1962* (the 'Prudent Person' rule).
 - b) At all times, the Council has in place a current set of policies and delegations for its Investments Officers.
 - c) 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:
 - a) Exercising the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons; and
 - b) 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:
 - a) The purpose of the investment and the needs and circumstances;
 - b) The desirability of diversifying investments and the nature of and risk associated with existing investments;
 - c) 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;
 - d) The likely income return and timing of the income return. The length of the term of the proposed investment;

- e) The liquidity and marketability of the proposed investment. The aggregate value of the investment;
- f) The effect of the proposed investment in relation to the tax liability (if any);
- g) The likelihood of inflation affecting the value of the proposed investment; and
- h) 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 support the local community bank without putting the Shire's surplus funds to any undue risk.
- 3.3. To have ready access to funds for day-to-day requirements, without penalty.
- 3.4. To utilise the benefits of the Western Australian Treasury Corporation (WATC) Investment Facility.

4. Authority to Invest

- 4.1. Surplus funds are to be invested in term deposits or negotiable certificates of deposit with Western Australian Treasury Corporation, Bendigo and Adelaide Bank and other banks with branches in Mount Barker or Albany, subject to their Standard and Poor's long-term credit rating being at least BBB+ and the short-term rating being at least A-2. Any proposal to invest funds in any other institution not referred to above is to be referred to the Council.
- 4.2. Investments from the municipal, loan and reserve accounts are to be kept separate and distinct from the trust account.
- 4.3. Funds may be invested for terms up to 3 years based on predicted cash flow requirements and in accordance with the *Local Government Act (Financial Management) Regulations 1996*.
- 4.4. The Chief Executive Officer may invest any funds held in the Municipal Fund or the Trust Fund that is not, for the time being, required for any other purpose, in accordance with Council Delegation 2.7 Investment of Surplus Funds.
- 4.5. The Deputy Chief Executive Officer or Senior Finance Officer may invest any funds held in the Municipal Fund or the Trust Fund that is not, for the time being, required for any other purpose, in accordance with 2.7(A) Investment of Surplus Funds Sub-delegation.

5. Review and Reporting

- 5.1. The investment portfolio is to be reported to Council each month, listing for each investment the institution, amount, maturity date, and interest rate.

- 5.2. Bendigo and Adelaide Bank's short-term credit rating as defined by Standard and Poor's is to be monitored monthly by the Deputy Chief Executive Officer. Any downgrading of the long-term BBB+ or short-term A-2 rating is to be reported to the Council.

Document Control			
Document Responsibilities			
Owner	Chief Executive Officer	Business Unit	Corporate & Community Services
Reviewer	Executive Manager	Approval	Council
Document Compliance			
Legislation	<ul style="list-style-type: none">Local Government Act 1995Local Government Act (Financial Management) Regulations 1996Trustees Act 1962		
Other	Council Delegations		
Document Management			
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1	November 1998	Adopted	
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