



INVESTMENT POLICY

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Introduction

This policy sets out the guidelines and principles that need to be followed by Bunbury-Harvey Regional Council (BHRC) officers when placing funds on investment with financial institutions.

BHRC needs to take advantage of the interest earning potential of its surplus funds while reducing its exposure to financial risk and ensuring sufficient funds are kept available to meet cash requirements.

BHRC funds need to be invested in accordance with its legislative and common law responsibilities.

This policy also sets out reporting requirements for BHRC's investment portfolio.

In these regulations, unless the contrary intention appears —

- AAS means the Australian Accounting Standards made and amended from time to time by the Australian Accounting Standards Board;
- Australian Accounting Standards Board means the body corporate of that name continued by the Australian Securities and Investments Commission Act 2001 (Commonwealth)

Effect of AAS:

- These regulations are in addition to and not in derogation of the requirements of the AAS.
- If a provision of the AAS is inconsistent with a provision of these regulations, the provision of these regulations prevails to the extent of the inconsistency.
- All words in the Act or these regulations that import revenue or expenditure are to be interpreted to permit compliance with the requirements of the AAS.

Objective

Preservation of Capital

The primary objective of the BHRC's investments is to ensure the safety and security of the investment made in relation to the credit risk interest rate on offer.

Liquidity of Funds

The investment of the BHRC's funds should ensure there is sufficient liquidity to meet the operational daily/weekly/monthly cash flow requirement as and when they fall due, without incurring additional cost to the BHRC.

Return on Investment

The investment made should achieve a predetermined return on investment taking into account the market condition and risk profile.

Scope

This policy applies to all officers involved in the investment of Council funds.

Delegation of Authority

Pursuant to Section 6.14 of the *Local Government Act 1995* and Section 18 of the *Trustees Act 1962 – Part III Investments*, Council delegated its authority to the Chief Executive Officer to invest Council's funds in authorised investments being Term Deposits.

The Chief Executive Officer has the authority to on-delegate the day to day investment activities to the Manager Finance or other duly authorised Senior Finance Officer subject to regular reviews.

Prudent Person Standard

Investment of BHRC funds will be managed with care, diligence and skill that a prudent person would exercise. Officers are to manage the investment portfolio at a level where the stated objectives of this policy are achieved and not for speculative purposes.

Ethics and Conflicts of Interest

Officers shall refrain from personal activities that would conflict with the proper management of the BHRC's investment portfolio. Where there is a conflict of interest, it should be disclosed to the Chief Executive Officer as soon as possible.

Approved Investments

Investment is approved for Australia's four (4) major banks: Commonwealth, ANZ, National, Westpac and the following three (3) additional banks, Bankwest, Bendigo Bank and Members Equity (ME Bank).

All investments must be denominated in Australian dollars. Without Council approval, investment of BHRC funds is limited to:-

- Interest bearing deposits
- Bank accepted/endorsed bank bills
- State/Commonwealth Government Bonds, Promissory Notes
- A fixed term of no more than twelve (12) months.

Diversification of Risk

Investment approved for Australia's four (4) major banks: Commonwealth, ANZ, National and Westpac are not to exceed 75% of the total investment portfolio.

Investments approved for the following (3) additional banks, Bankwest, Bendigo Bank and Members Equity (ME Bank) are not to exceed 50% of the total investment portfolio.

Ethical investment options will be investigated and preference will be given to institutions that make meaningful contributions to the community, sustainability and have a good environmental track record.

Reporting to Council

A monthly report should be submitted to Council that records the nature of the investments and their returns. The report should also confirm that investment limits for particular instruments have been adhered to. Any breach of the investment limits should be notified to the CEO within 24 hours of the breach being detected. In addition the following need to be noted:

- A register of investments will be maintained together with an investment file containing all letters of advice from financial institutions.
- Interest revenue will be recognised as it is earned.
- Any variations to this policy are to be reported to the CEO within 60 days.

REFERENCES

- *Local Government Act 1995 -Section 6.14*
- *Local Government (Financial Management) Regulations 1996*
- *Trustee Act 1962 – Part III Investments*
- *Australian Accounting Standards*