

Investment of Surplus Funds

Introduction

The investment of funds is a crucial aspect to good financial management and provides an additional revenue source for the Shire. This policy provides a framework for investing surplus funds so that returns are maximised, whilst having due consideration for risk and security of funds.

Objective

The objectives of this policy are:

- To ensure the investment of funds is undertaken in a prudent manner that results in returns being maximised and risk minimised;
- To achieve a high level of security by using recognised ratings criteria; and
- To have ready access to funds for day-to-day cashflow requirements.

Scope

Application of this policy relates to all Shire funds including general funds, reserve funds and other restricted funds invested by the Council.

Definitions

Term	Definition
Act	<i>Local Government Act 1995.</i>
Authorised Institution	(a) An authorised deposit taking institution as defined in the <i>Banking Act 1959 (Commonwealth)</i> Section 5; or (b) The Western Australian Treasury Corporation (WATC) established by <i>The Western Australian Treasury Corporation Act 1986.</i>
CEO	Chief Executive Officer
Regulations	<i>Local Government (Financial Management) Regulations 1996.</i>
Shire	The Shire of Toodyay.
Standard and Poor's rating (S&P)	A financial services company providing index data and a source of independent credit ratings.

Policy Statement

Investments will be managed with the care, diligence and skill that a prudent person would exercise. Shire Officers are to manage investments to safeguard the portfolios in accordance with the spirit of this policy, i.e. Officers will not engage in speculative deals which involve deliberately taking a higher risk, in the hope of making an extraordinary gain.

1. Delegation of Authority

In accordance with section 5.42 of the Act, Council delegates the CEO to exercise its power to authorise and make payments from the municipal or trust fund and, in accordance with section 6.14, to invest surplus funds.

The CEO may in turn delegate the day-to-day management of Council's investments to the Manager Corporate and Community Services and/or the Finance Coordinator.

This policy requires Shire Officers to disclose any conflict of interest to the CEO.

2. Authorised Investments

Authorised investments are limited to the following;

- Fixed and floating rate interest bearing deposits with authorised institutions and with a term to maturity of 3 years or less; and
- State and Commonwealth Government Bonds with a term to maturity of 3 years or less.

3. Prohibited Investments

This policy prohibits investments in foreign currency and the use of leveraged funds for the purpose on investing.

4. Credit Risk Framework

To control the credit quality on the entire portfolio, exposure to any particular credit rating category will be limited as follows;

S&P Long Term Rating	S&P Short Term Rating	Investment Maximum %	Description
AA-	A-1+-	100	Very strong capacity to repay
A+	A-1+	100	Strong capacity to pay
BBB+	A-2	70	Adequate capacity to pay
BBB	A-3	50	Adequate capacity to pay

5. Reporting

A report on the investments will be included in the Monthly Financial Statements presented to the Council. This will include the following details:

- (a) Name of institution where investment is lodged;
- (b) Amount of funds invested;
- (c) Interest rate on investment; and

(d) Date of maturity of investment.

Documentary evidence will 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's behalf as at 30 June each year and reconciled to the Investment Register.

Reference Information

- [Register of Delegations](#) – CS2 Investment of Surplus Funds;
- [Risk Management](#) (ADM18).

Legislation

- *Local Government Act 1995* - s.6.14.
- *The Trustees Act 1962* – Part III Investments as amended by the *Trustees Amendment Act 1997*.
- *Local Government (Financial Management) Regulations 1996* – r.19, 19C, 28, 49.
- *Banking Act 1959*.
- Australian Accounting Standards.

Associated documents

- Nil

Version control information

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