Investment Policy

29 September 2026 - Attachment 9.6

Policy Objective

To establish a framework for the authorised investment of funds surplus to the Shire of Denmark's immediate requirements, while preserving capital, maintaining sufficient liquidity and achieving prudent returns within legislative and policy requirements.

Policy Scope

This Policy applies to the investment of municipal, reserve, trust and other restricted funds held by the Shire that are surplus to immediate operational and cash-flow requirements.

Policy Principles

The Shire's primary investment objective is the preservation of capital. Subject to this objective, investments will be managed to maintain sufficient liquidity and achieve prudent returns within the legislative requirements, risk limits and other parameters established by this Policy.

Investment decisions must be consistent with the following principles:

a) Compliance – investments must comply with applicable legislation, regulations, delegations and the requirements of this Policy.
b) Preservation of capital – investments must be managed to safeguard the investment portfolio and minimise the risk of capital loss, including through the management of credit and interest rate risk within the limits established by this Policy.
c) Liquidity – the investment portfolio must maintain sufficient liquidity to meet reasonably anticipated cash-flow requirements as they fall due, without requiring the premature withdrawal or sale of an investment at a significant cost or loss.
d) Return on investment – subject to the requirements for capital preservation, compliance and liquidity, the portfolio should seek a competitive market return having regard to the benchmark specified in this Policy and Council's risk tolerance.

AUTHORISED INSTITUTIONS

Funds may only be placed with an authorised institution permitted by regulation 19C of the Local Government (Financial Management) Regulations, being:

- an authorised deposit-taking institution as defined in section 5 of the Banking Act 1959 (Commonwealth); or
- the Western Australian Treasury Corporation established by the Western Australian Corporation Act 1986.

AUTHORISED INVESTMENTS

As per regulation 19C of the Local Government (Financial Management) Regulation, investments are limited to:

- interest bearing deposits with an authorised deposit-taking institution for a term not exceeding three years; and

- bonds guaranteed by the Commonwealth or a State or Territory Government, with a term to maturity not exceeding three years.

All investments must be denominated in Australian currency.

PROHIBITED INVESTMENTS

- Investments for speculative purposes;
- derivative-based instruments;
- principal only investments or securities that may provide nil or negative cash flow;
- stand-alone securities with underlying futures, options, forwards contracts or swaps;
- deposits or bonds with a term exceeding three years; and
- leveraging or borrowing for the purpose of investing.

The following requirements govern the authority, conduct and management of the Shire's investment activities.

AUTHORITY

Council delegates investment powers to the Chief Executive Officer through the Shire's Delegation Register. The Chief Executive Officer may subdelegate the day-to-day management of investments to appropriately authorised employees in accordance with legislation and the Delegation Register.

PRUDENT PERSON STANDARD

Investments must be managed with the care, diligence and skill that a prudent person would exercise in comparable circumstances.

NON-FOSSIL FUEL INVESTMENT

Subject to the objectives and risk management requirements of this Policy, the Shire will give preference to investing with authorised financial institutions that do not finance fossil fuel projects, where comparable investment options are available and the Shire's requirements for security, liquidity and return can be met. The Shire may use independent third-party research to assess the fossil fuel lending practices of eligible institutions.

INVESTMENT RISK LIMITS

The investment portfolio must comply with the limits set out below. Percentage limits are calculated against the total investment portfolio at the time an investment is made or renewed. These limits address portfolio credit quality, exposure to individual counterparties and term to maturity.

(a) Portfolio Credit Framework: To control the credit quality over the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

Standard & Poor's Long Term Rating	Standard & Poor's Short Term Rating	Direct Investment Maximum %	Managed Funds Maximum%

AAA	A-1+	100%	100%
AA	A-1	60%	80%
A	A-2	40%	80%

(b) Counterparty Credit Framework: Exposure to an individual counterparty/institution will be restricted by their credit rating so that single entity exposure is limited, as detailed in the table below.

Standard & Poor's Long Term Rating	Standard & Poor's Short Term Rating	Direct Investment Maximum %	Managed Funds Maximum%
AAA	A-1+	50%	50%
AA	A-1	35%	45%
A	A-2	25%	40%

(c) Term to Maturity Framework: the investment portfolio is to be invested within the following maturity constraints.

Term to maturity	Minimum portfolio exposure	Maximum portfolio exposure
Less than 1 year	40%	100%
1 year to 3 year	0%	60%

No investment may have a term to maturity greater than three years. Investments with a term greater than 12 months must be reviewed regularly against forecast cash-flow requirements and prevailing risk conditions.

INVESTMENT ADVISOR

The Shire may appoint an investment adviser to provide independent advice on the management of its investment portfolio. Any adviser appointed must be appropriately licensed by the Australian Securities and Investments Commission, be free from any actual or potential conflict of interest in relation to the investment products considered, and comply with this Policy. The adviser must be able to recommend the most appropriate investment options within the requirements of this Policy. The appointment of an adviser does not transfer investment decision-making responsibility from the Shire.

BENCHMARKING

Portfolio performance will be measured against the Reserve Bank of Australia (RBA) Cash Rate.

REPORTING

A monthly report will be presented to Council and will include, at a minimum:

- Porfolio balance and performance;
- Maturity profile;
- Counterparty exposure;
- Compliance with this Policy

RECORDKEEPING

Documentary evidence must be retained for each investment in the Shire's Record Keeping System, and details maintained in the Investment Register.

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

LEGISLATIVE REQUIREMENTS

All investments are to comply with the following:

- Local Government Act 1995 (s.6.14);
- Local Government (Financial Management) Regulation 1996 (Regulations 19 and 19C);
- The Trustees Act 1962 (Part III); and
- Australian Accounting Standards.

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