

FINANCE / ACCOUNTING

F 4.3 Investment Policy

<i>Responsible Department</i>	Corporate Services
<i>Resolution Number</i>	C.3638
<i>Resolution Date</i>	17/04/2019
<i>Next Scheduled Review</i>	2021
<i>Related Shire Documents</i>	
<i>Related Legislation</i>	Local Government Act 1995, s6.14; The Trustees Act 1995, Pt III Investments; as amended Local Government (Financial Management) Regulations 1996, Regs 19, 19C, 28 & 49, Australian Accounting standards

OBJECTIVE

The purpose of this policy is to invest the local government's surplus funds, with consideration of risk and at the most favourable rate of interest available to it at the time, for that investment type, while ensuring that its liquidity requirements are being met, whilst minimizing the possibility of incurring capital loss.

While exercising the power to invest, consideration is to be given in preservation of capital, liquidity, and the return of investment.

SCOPE

The policy applies to any investment of surplus funds other than bank deposits for operational purposes.

POLICY

1. Policy Objectives

To invest the local government's surplus funds, with consideration of risk and at the most favourable rate of interest available to it at the time, for that investment type, while ensuring that its liquidity requirement are being met, whilst minimizing the possibility of incurring capital loss.

While exercising the power to invest, consideration is to be given in preservation of capital, liquidity, and the return of investment.

- Preservation of capital is the principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- The investment portfolio will ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.
- The investment is expected to achieve a predetermined market average rate of return that takes into account the Council's risk tolerance. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

The objectives of the Policy on Investment of Surplus Funds are:

- To provide maximum capital security of funds;
- To provide the best available rate of interest from an approved source; and,
- To ensure sufficient liquidity to meet Council's cash flow requirements.

2. Legislative Requirements

All investments are to comply with the following:

- Local Government Act 1995 – Section 6.14;
- The Trustees Act 1962 – Part III Investments;
- Local Government (Financial Management) Regulations 1996 Regulation 19, Regulation 19C, Regulation 28 and Regulation 49

3. Policy Statement

Investments shall be restricted to term deposits or commercial bills offered by the following banks or government institutions:

- Commonwealth Bank of Australia
- BankWest
- Australia and New Zealand Bank
- National Australia Bank
- Westpac Banking Corporation
- WA Treasury Corporation.
- Bendigo Bank

Investments shall be spread to ensure that no single institution holds more than 50% of the Shire's invested funds.

4. Prohibited Investments

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

- Derivative based instruments;
- Principal only investments or securities that provide potentially nil or negative

cash flow; and

- Stand alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

Speculative financial instruments are specifically prohibited, together with the use of the portfolio for speculation. Leveraging of the portfolio (borrowing to invest) is prohibited.

Local Government (Financial Management) Regulations 1996 – Reg 19c (2) does not allow the following;

- Deposit with an institution except an authorised institution;
- Deposit for a fixed term of more than 12 months;
- Invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
- Invest in bonds with a term to maturity of more than 3 years;
- Invest in a foreign currency.

5. Term and Status Reports

The term of individual investments shall be consistent with the Shire's cash flow requirements and shall not exceed 12 months.

The status and performance of the investment portfolio is to be reported monthly to Council.

6. 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.

7. Ethics and Conflicts of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of Council's investment portfolio. This policy requires officer's to disclose any conflict of interest to the CEO.

8. Approved Investments

Without approvals from Council, investments are limited to:

- State/Commonwealth Government Bonds;
- Interest bearing deposits;
- Bank accepted/endorsed bank bills;

9. Investment Guidelines

(a) Quotations on Investments

Not less than three (3) quotations shall be obtained from authorised institutions when an investment is proposed.

(ii) Credit/Diversification Risk

The short term (0-365 days) credit guidelines will be based on Standard and Poors' Short Term Issue Credit Ratings which are:

- A1+ The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
- A1 The obligor's capacity to meet its financial commitment on the obligation is strong.
- A2 The obligor is susceptible to adverse economic conditions however the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

The amount invested with any one financial institution or product should not exceed the following percentages of average annual funds invested within each risk rating.

Credit Rating	Maximum % in credit rating category	Maximum % in one authorised institution
Short term A1+	100	50
Short term A1	50	50
Short term A2	25	50

(i) Preference to community support

Where two or more quotes are equal in terms of risk and return then the institution that can demonstrate a greater community support will be preferred over the other.

(ii) Change in Credit Ratings

If any of Council's investments are downgraded such that they no longer fall within these investment policy guidelines, they will be divested as soon as is practicable.

6. Purchasing Thresholds

Where the value of procurement (excluding GST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:-

Table 1 Purchasing Thresholds – Requirements

Purchase Thresholds (excluding GST)	Minimum Requirements
Less than \$3000	No quotations required. Officers are to use professional judgment and discretion to determine if prices or rates are value for money.
\$3,000 to \$7,500	Verbal quotations to be sought from three (3) suppliers where possible with the successful quote supplied in writing.
\$7,500 to \$50,000	Three written quotations or purchase through the Local Government Purchasing Service of the WA Local Government Association (WALGA) where possible.
Above \$50,000 to \$150,000	Obtain at least three written quotations containing price and specification of goods and services (with the procurement decision based on value for money considerations) or purchase through the Local Government Purchasing Service of WALGA.
Above \$150,000	Public tender or purchase through the Local Government Purchasing Service of WALGA.

Anti-Avoidance

Officers shall not create more than one purchase order with one supplier to avoid either exceeding their authorisation limit or creeping into the next purchasing threshold.

Quotation purchasing threshold procedures

It is not a prerequisite that every possible supplier is requested to quote, however the responsible officer is to use previous experience with suppliers and local knowledge to invite suitable suppliers to quote. One of the main aims for multiple quotes is to have a range of quotes to choose from to help determine value for money. A formal request for quotation (RFQ) process must be conducted by the responsible officer in conjunction with the Shire's Purchasing Officer and is subject to formal evaluation, review and approvals. Purchasing threshold requirements for quotations are as follows:

- **Less than \$3,000 (excl. GST)**

In cases where reactive maintenance is required or for the carrying out of normal Council ongoing business **no quotations need to be obtained**. However it is recommended to use professional discretion and undertake periodic checks and balances to test the market, with a greater number or more formal forms of quotation to ensure best value is maintained.

- **\$3,000 – \$7,500 (excl. GST)**

Where the value of procurement of goods or services is greater than \$3,000 and less than \$7,500, purchase on the basis of at least three verbal quotations should be obtained with the successful quote being supplied in writing, except:

- a) where purchase is being made under a panel of pre-qualified suppliers which include WALGA Preferred Suppliers.
- b) where goods or services are needed immediately in an emergency situation.
- c) where rates are considered reasonable and consistent with normal market rates and sufficient justification can be provided in this respect; and these are tested by obtaining quotes from time to time.
- d) where the responsible officer is satisfied that there is genuinely only one source of supply for those goods, services or works. Investigatory evidence to confirm there are no alternative sources of supply must be collated and written records retained.
- e) Where the purchase is for construction or workshop consumables (string, pegs, irrigation parts, auto parts etc), minor electrical equipment (two way units etc), fertiliser and herbicide etc.

- **\$7,500 to \$50,000 (excl. GST)**

Where the value of procurement of goods or services ranges between \$7,500 and \$50,000 a sufficient number of written quotations (at least three) are to be sought through a simple RFQ process to demonstrate competition. Where this is not practical, e.g. due to limited suppliers or deemed sole supplier, investigatory evidence to confirm there are no alternative sources of supply must be collated and written records retained.

Written records of quotations are to be made and retained in all cases.

Request written quotation(s) directly from a pre-qualified panel of suppliers which include WALGA Preferred Supplier Panel, using a request for quotation process either through WALGA e-Quotes or directly in writing. It is not mandatory for multiple quotations to be requested when using the WALGA Preferred Supplier Panel, and a quotation can be requested from a single supplier where deemed practical. The benefit, however, of requesting multiple quotations is that there is a range to choose from to help determine value for money. The responsible officer is to use previous experience with suppliers and local knowledge to invite suitable suppliers and establish the appropriate number of suppliers from which to request a quote.

Written records of quotations are to be made and retained in all cases.

- **\$50,000 to \$150,000 (excl. GST)**

For the procurement of goods or services where the value exceeds \$50,000 but does not exceed \$150,000, at least three written quotations shall be obtained through a formal RFQ process including pricing and product or service information relating to the specification of goods and services being purchased. Where this is not practical, e.g. due to limited suppliers or deemed sole supplier, investigatory evidence to confirm there are no alternative sources of supply must be collated and written records retained.

This purchasing threshold typically requires a detailed specification to be prepared and included in the formal RFQ documentation. It is recognised that not all goods and services procured within this threshold will be of a nature that requires a detailed Specification, it is therefore acceptable to include a less detailed Specification where considered more appropriate. All Specifications must effectively communicate the Requirements of the Shire.

Comprehensive written records are to be retained in all cases.

Request written quotation(s) directly from a pre-qualified panel of suppliers which include WALGA Preferred Supplier Panel, using a request for quotation process either through WALGA e-Quotes or directly in writing. It is not mandatory for multiple quotations to be requested when using the WALGA Preferred Supplier Panel, and a quotation can be requested from a single supplier where deemed practical. The benefit, however, of requesting multiple quotations is that there is a range to choose from to help determine value for money. The responsible officer is to use previous experience with suppliers and local knowledge to invite suitable suppliers and establish the appropriate number of suppliers from which to request a quote.

Written records of quotations are to be made and retained in all cases.

Invitation to Tender (above \$150,000 excl. GST)

Tenders are to be publicly invited according to the requirements of regulation 11(1) of the *Local Government (Functions & General) Regulations 1996* before the Shire enters into a contract for another person to supply goods or services if the consideration under the contract is, or is expected to be, more, or worth more, than \$150,000 (excl. GST).

7. REGULATORY COMPLIANCE

Local Government (Functions and General) Regulations 1996 Part 4 Division 2

8.1 Tender Exemption

In the following instances public tenders or quotation procedures are not required (regardless of the value of expenditure):

- An emergency situation as defined by the Local Government Act 1995;
- The purchase is under a contract of WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (permitted Common Use Arrangements), Regional Council, or another Local Government;
- The purchase is under auction which has been authorised by Council;
- The contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
- Any of the other exclusions under Regulation 11 of the Functions and General Regulations apply.

8.2 Sole Source of Supply (Monopoly Suppliers)

The procurement of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply. Every endeavour to find alternative sources must be made. Written confirmation of this must be kept on file for later audit.

Note: *The application of provision "sole source of supply" should only occur in limited cases and procurement experience indicates that generally more than one supplier is able to provide the requirements.*

8.3 Anti-Avoidance

The Shire shall not enter two or more contracts of a similar nature for the purpose of splitting the value of the contracts to take the value of consideration below the level of \$150,000, thereby avoiding the need to publicly tender unless emergency circumstances prevail. Notice to be given to Council.

8.4 Tender Criteria

The Shire shall, before tenders are publicly invited, determine in writing the criteria for deciding which tender should be accepted. Please refer Delegations Register, number F04 to determine the appropriate selection criteria.

The evaluation panel shall be established prior to the advertising of a tender and include a mix of skills and experience relevant to the nature of the purchase.

8.5 Advertising Tenders

Tenders are to be advertised in a state wide publication e.g. “The West Australian” newspaper, Local Government Tenders section and a local newspaper.

The tender must remain open for at least 14 days after the date the tender is advertised. Care must be taken to ensure that 14 **full** days are provided as a minimum.

The notice must include:

- A brief description of the goods or services required;
- Information as to where and how tenders may be submitted;
- The date and time after which tenders cannot be submitted;
- Particulars identifying a person from who more detailed information as to tendering may be obtained;
- Detailed information shall include;
 - such information as the Shire decides should be disclosed to those interested in submitting a tender;
 - detailed specifications of the goods or services required;
 - the criteria for deciding which tender should be accepted;
 - whether or not the Shire has decided to submit a tender; and
 - whether or not tenders can be submitted by facsimile or other electronic means, and if so, how tenders may so be submitted.
 - Advice that no tender shall be necessarily accepted.

8.6 Issuing Tender Documentation

Tenders will not be made available (counter, mail, internet, referral, or other means) without a robust process to ensure the recording of details of all parties who acquire the documentation.

This is essential as if clarifications, addendums or further communication is required prior to the close of tenders, all potential tenderers must have equal access to this information in order for the Shire not to compromise its Duty to be fair. That the same Tender documents be used for all tenders.

8.7 Receiving Tenders by Email

All tenders are to be received by Central Records Department, upon receipt they should be printed by the Records Officer and placed within an envelope with the following details on the front;

- Time tender was received
- Name of the tenderer

The envelope should then be placed in the tender box.

8.8 Tender Deadline

A tender that is not received in full in the required format by the advertised Tender Deadline shall be rejected.

8.9 Opening of Tenders

No tenders are to be removed from the tender box, or opened (read or evaluated) prior to the Tender Deadline.

Tenders are to be opened by an Executive Manager and one other officer.

If the above Officer's are not available the Officers' delegated nominee and at least one other Council Officer may open the Tender. The details of all tenders received and opened shall be recorded in the Tenders Register.

Tenders are to be opened in accordance with the advertised time and place. There is no obligation to disclose or record tendered prices at the tender opening, and price information should be regarded as *commercial-in-confidence* to the Shire. Members of the public are entitled to be present.

The Tenderer's Offer form, Price Schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two Shire Officers present at the opening of tenders.

8.10 No Tenders Received

Where the Shire has invited tenders, however no compliant submissions have been received, direct purchases can be arranged on the basis of the following:

- a sufficient number of quotations are obtained;
- the specification for goods and/or services remains unchanged;
- purchasing is arranged within 6 months of the closing date of the lapsed tender.
- Council Approval must be sought

8.11 Tender Evaluation

Tenders that have not been rejected shall be assessed by the Shire by means of a written evaluation against the pre-determined criteria. The tender evaluation panel shall assess each tender that has not been rejected to determine which tender is most advantageous.

8.12 Addendum to Tender

If, after the tender has been publicly advertised, any changes, variations or adjustments to the tender document and/or the conditions of tender are required, the Shire may vary the initial information by taking reasonable steps to give each person who has sought copies of the tender documents notice in writing of the variation.

8.13 Minor Variation

If after the tender has been publicly advertised and a successful tenderer has been chosen but before the Shire and tenderer have entered into a Contract, a minor variation may be made by the Shire.

A minor variation will not alter the nature of the goods and/or services procured, nor will it materially alter the specification or structure provided for by the initial tender.

8.14 Notification of Outcome

Each tenderer shall be notified of the outcome of the tender by the Chief Executive Officer (under Delegated Authority) or following Council resolution within 21 days. Notification shall include:

- The name of the successful tenderer
- The total value of consideration of the winning offer

The details and total value of consideration for the winning offer must also be entered into the Tenders Register at the conclusion of the tender process. If no tender was accepted it must be advertised “that no tenders were accepted.”

8.15 Records Management

All records associated with the tender process or a direct purchase process must be recorded and retained. For a tender process this includes:

- Tender documentation;
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation;

Notification and award documentation .For a direct purchasing process this includes:

- Quotation documentation;
- Internal documentation;
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the State Records Act, and the Shire’s internal records management policy.