

Responsible Directorate	Corporate Services
Responsible Business Unit/s	Finance Services
Responsible Officer	Manager Finance
Affected Business Unit/s	Finance Services

Objective

This policy provides guidelines on how the City's excess funds are to be invested whilst complying with legislation and requiring its authorised officers to exercise the care, diligence and skill that a prudent person would exercise in investing the Council funds.

The objectives of the policy are:

1. Preservation of Capital

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

2. Liquidity of Funds

The investment of the City'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 City.

3. Return on Investment

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

4. Environmentally and Socially Responsible Investment

The investment should align to Council values through Environmentally Responsible Investment and Socially Responsible Investment subject to meeting the other objectives of this policy.

Scope

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

Policy

Delegation of Authority

For the City, the implementation of this policy is delegated by Council to the Chief Executive Officer in accordance with the *Local Government Act 1995*. 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 Services Officers subject to regular reviews.

The following City Officers have authority to invest the City's funds. The approval of the transfer of funds for investment purposes requires the approval of any of two Officers on the list:

- Director Corporate Services
- Manager Finance
- Senior Corporate Accountant
- Corporate Accountant
- Revenue Services Team Leader
- Assistant Corporate Accountant

Prudent Person Standard

Investment of Council's 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 City'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

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

- Interest bearing deposits
- Bank accepted/endorsed bank bills
- State/Commonwealth Government Bonds, Promissory Notes
- Managed Funds subject to recommendation by the Council nominated financial advisor on managed funds and approval by the Council.

Type of Managed Funds

The financial advisor may recommend investment in managed funds of various products and income potential with various levels of risk. It is the City's policy to limit such investments in the cash funds and cash plus funds category.

- **Cash Funds invest solely in cash and bank bills.** Though managed by the fund manager, they offer flexibility other than the City investing in bills direct (which are held to maturity) since they offer immediate access to funds at all times without penalty. They are subject to fees charged by the fund manager.
- **Cash Plus Funds (Enhanced Funds) both rated and unrated.** Invest in bank bills and cash based floating rate notes and enter into longer term government securities to enhance returns when appropriate.

Cash Plus funds aim to outperform bank bills over a longer term of a 6-12 month time horizon and are generally considered a longer term "core" investment of a council investment strategy.

Investment Guidelines

(i) Council's Direct Investments

(a) Quotation

Not less than three quotations shall be obtained from authorised institutions when an investment is proposed. The best quotation will be accepted after allowing for banking, administrative and transactional costs as well as limitations set for each borrower.

(b) Term to Maturity

The term to maturity of any Council's direct investment may range from one day to 1,095 days or 36 months, taking into consideration the interest rate offered and economic factors affecting future interest rates.

(ii) Managed Fund Investments

Managed funds on advice from the City's financial advisor, if limited to cash funds or cash plus funds would include the following guidelines: -

Fund type	Minimum Time Horizon	Maximum Exposure %
Cash Fund	1 - 180 days (6 months)	0 - 100%
Cash Plus Fund	90 - 365 days (3 - 12 months)	0 - 80%

(iii) General Policy Guidelines

In the determination of whether an investment should be made on a direct basis or managed by fund managers, due consideration should be given to:-

- The City's cash flow requirement, taking into account the need for funds over a period of at least six months.
- The security of the principal and capital of the investment in terms of the various risk levels.
- The performance of the investment products in terms of returns inter alia direct and managed funds' portfolios.

Diversification/Credit Risks

(i) Managed Fund Investments

- (a) With any financial advisor or advisors approved by the City, the maximum amount of investment held on advice should not exceed 30% of average annual funds invested by the City.
- (b) With any one fund manager the total amount invested on advice by the financial advisor, should not exceed 40% of the funds allocated to the financial advisor.

(ii) Direct Investments

The City's uses Standard and Poors organisation ratings to determine acceptable diversification risk levels. Ratings are reviewed every 12 months or where there is a major shift in the financial market. The amount invested with any one financial institution should not exceed the following recommended percentage of average annual funds invested by the City.

Long term	Short Term	Max % at Time of Placement	Max % at Time of Maturity	Comment
1 - 5 Years	1 - 365 Days			
AAA to AA-	A1+	60	70	Very strong capacity to repay
A+ to A-	A1	40	50	Strong capacity to pay
BBB+ to BBB-	A2	30	40	Adequate capacity to pay

(iii) Credit Ratings

If any of the City's investment bankers are downgraded to such an extent that they no longer fall within the recommended guidelines, the investment will be divested as soon as is possible. The minimum rating that an institution qualifies for Council funds will be BBB-/A2.

Fossil Fuel Free Investments

Preference is to be given to financial institutions that do not invest in or finance the carbon based fossil fuel industry where: -

- The investment is compliant with the City's Investments Policy; and
- The investment rate of interest is favourable to the City relative to other similar investments that may be on offer to the City at the time of the investment.

Prohibited Investments

This investment policy prohibits any investment carried out for speculative purposes including: -

- Derivative based instruments such as mortgage and asset backed securities.
- Principal only investments or securities that provide nil or negative cash flow such as guarantees of any type.
- Stand-alone securities that have underlying risks, futures, options, forward contracts and swaps of any kind such as Collateral Debt Obligations (CDOs) and equity based Floating Rate Notes (FRNs).
- This policy also prohibits taking out of loans to invest (leveraging) in an investment product.
- Any investment that is not compliant with Section 19c of the Local Government (Financial Management) Regulations 1996

Financial Advisor for Investment Options

The appointment of an investment advisor must be approved by Council and licensed by the Australian Securities and Investment Commission (ASIC). The advisor must be an independent person or organisation who has no actual or potential conflict of interest in relation to investment products being recommended; and is free to recommend the most appropriate product within the terms and conditions of this Investments Policy.

Reporting

- A monthly report must be provided to Council detailing the investment portfolio in terms of overall performance, percentage exposure of total portfolio by investment institution, and in the case of managed investments, the changes in market value.
- The report will also detail investment income earned against budget year to date.
- The report will review exposure to fossil fuel investment risk.

- (iv) For audit purposes, certificates of all investments must be made available from banks/financial institutions and fund managers confirming the amount of the investment held on Council's behalf at 30 June each year.

Variation to Policy

- (i) The Chief Executive Officer or his delegated officer is authorised to approve temporary variations to this policy if the investment is to Council's advantage and/or due to revised legislation.
- (ii) All variations to this policy are to be reported to Council as soon as possible.

Review of this Policy

This policy should be reviewed if:-

- (i) There is a marked change in the economic landscape affecting financial markets and interest rates.
- (ii) There is sustained volatility in the international financial markets affecting the availability of credit and wholesale sourcing of funds.
- (iii) There is legislation enacted by State and Federal Government affecting the movement and investment of Council funds.

Approved Borrowers

Any Australian Authorised Deposit Taking Institution (ADI) approved by the Australian Prudential Regulation Authority (APRA) with the required "Standard and Poors" organisation ratings which satisfies the City's direct investment requirements will be utilised for investing purposes.

Definitions

Environmentally Responsible Investments include (but are not limited to):

- Resource efficiency, especially water and energy (including reducing greenhouse gas emissions and renewable energy)
- Production of environmentally friendly products
- Recycling and waste reduction

Socially Responsible Investments include (but are not limited to):

- Fair trade and provision of a living wage
- Equal opportunity employers and those that support the values of communities, indigenous peoples and minorities
- Provision of housing, especially affordable housing
- Health and safety
- Animal welfare

Fossil fuels are defined as a natural fuel such as coal or gas, formed in the geological past from the remains of living organisms.

Relevant management practices/documents

Local Government Operational Guidelines

Legislation/local law requirements

Local Government Act 1995

Trustee Act 1962

Local Government (Financial Management) Regulations 1996

Australian Accounting Standards

Office use only

Relevant delegations	Not applicable		
Initial Council adoption	Date 1 April 1997	Resolution #	Item 10.2/A11
Last reviewed	Date 11 May 2021	Resolution #	0521/024
Next review due	Date 2023		