

# Investment Policy

## Policy Objective

To ensure the investment of the Town's funds in a manner that maximises returns, with due consideration of risks, preserving the initial capital investment and ensuring future liquidity, whilst reflecting social and environmental priorities.

## Policy Scope

This policy applies to the investment of surplus, long term cash, current assets, and other funds in authorised investments in accordance with the *Local government Act 1995* and *Local Government (Financial Management) Regulations 1996*.

## Policy Statement

This policy sets out the parameters for the investment of the Town's surplus funds.

### 1. Preservation of Capital

1.1 Investments are to be undertaken with preservation of capital the primary objective.

### 2. Liquidity of Capital

2.1 The investment portfolio will be managed to provide sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when required without incurring significant costs from unanticipated termination of investments.

### 3. Performance

3.1 Investments are to be managed in accordance with Council's risk tolerance, while balancing revenue objectives with credit and interest rate risk, within the portfolio and counterparty credit framework specified in this policy.

### 4. Credit Ratings

4.1 Credit ratings are determined by the likelihood an institution will fail to fulfil its obligations and the risk of loss due to the failure to pay the interest or repay the principal of an investment. Short term credit ratings refer to a term of 12 months or less.

4.2 The Standard & Poor's (S&P) Short Term Credit Ratings (or equivalent Moody's or Fitch) attributed to each individual institution will be used to determine maximum holdings:

- **A - 1:** Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
- **A - 2:** Adequate capacity to meet financial commitments, but more susceptible to adverse economic conditions.

## 5. Portfolio Credit Framework

- 5.1 To control the credit quality of the Town's investment portfolio, a global credit framework will apply to limit the percentage of the portfolio exposed to any credit rating category. The maximum available limits in each category are as follows:

<b>S &amp; P Short Term Rating</b>	<b>Direct Investment Maximum %</b>
<b>A - 1</b>	<b>100%</b>
<b>A - 2</b>	<b>70%</b>

## 6. Counterparty Credit Framework

- 6.1 To minimise risk exposure to an individual institution, a counterparty credit framework will apply to limit the percentage of the portfolio exposed to any individual institution. The maximum investment in a singular institution is as follows:

<b>S &amp; P Short Term Rating</b>	<b>Direct Investment Maximum %</b>
<b>A - 1</b>	<b>50%</b>
<b>A - 2</b>	<b>30%</b>

## 7. Authorised Investments

- 7.1 In accordance with the requirements of the *Local Government (Financial Management) Regulations 1996*, investments are limited to:

- 7.1.1 Deposits with Authorised Deposit-taking Institutions, not exceeding a fixed term of 3 years.
- 7.1.2 Bonds guaranteed by Commonwealth, State or Territory Governments, not exceeding a term to maturity of 3 years.
- 7.1.3 Those made in Australian Currency.

## 8. Fossil Fuel Free Investments

- 8.1 When making investment decisions, the Town will give preference to institutions that do not invest in or finance the fossil fuel industry, or have stated a commitment to phase out Investment in and financing of the fossil fuel industry by 2025, where:

- 8.1.1 The investment complies with all other elements of this Policy, and

8.1.2 The interest rate is at least 90% of, and no more than 50 basis points below, the interest rate available for comparable investment options available at the time.

8.2 The Town will use external resources to monitor prevalent non-fossil fuel lenders and determine those institutions that do invest in or finance the fossil fuel industry.

## 9. Investment Advisor

9.1 The Town may appoint a licensed investment advisor to manage the Town's investments in accordance with this policy, and the use of an external platform to manage its investments.

## 10. Reporting and Review

10.1 An investment report will be provided to Council monthly, as part of the statement of financial activity. The investment report will detail the investment portfolio in terms of performance, investment maturity, portfolio and institution credit exposure, and investment mix between fossil fuel and non-fossil fuel lenders.

10.2 Investments must be recorded in an Investment Register, supported by documentary evidence.

10.3 For audit purposes, certificates must be obtained from Authorised Deposit-taking Institutions confirming the amounts of investments held on the Council's behalf as at 30 June each year and reconciled to the Investment Register.

<b>Document Control box</b>			
<b>Document Responsibilities:</b>			
<b>Owner:</b>	Director Corporate Services	<b>Owner Business Unit:</b>	Corporate Services
<b>Inception Date:</b>	OCM 13/12/22 December 2022	<b>Decision Maker:</b>	Council
<b>Review Date:</b>	Biannual	<b>Repeal and Replace:</b>	Existing Investment Policy 2018
<b>Compliance Requirements:</b>			
<b>Legislation:</b>	<i>Local Government Act 1995</i> <i>Local Government (Financial Management) Regulations 1996</i>		