



POLICY NAME: INVESTMENTS

POLICY No: APO9

PURPOSE OF POLICY:

To provide a framework for the investment of Council's surplus funds that seeks to maximise the return to the Council whilst having due consideration for the risk and security of each investment; and ensures that the Council's liquidity requirements are being satisfied.

SCOPE:

This policy applies to all the Council's investments that are surplus to immediate operational requirements and aligns with Council's risk appetite statement.

POLICY:

Investment Guidelines

- Investments are to be made in accordance with Section 75 of the *Local Government Act 1993*.
- Council investment will be limited to Authorised Deposit-taking Institutions (ADI's) either by investing directly with these institutions or through a fixed income specialist.
- Cash reserves to be managed to achieve the optimum investment and to ensure that cash is available when required.
- Council will ensure its investment portfolio maximises its return on investments while maintaining an acceptable level of risk and retaining flexibility in accessing funds.
- Investments may only be made in products where the underlying assets are cash. If there is an opportunity that aligns with Council's strategic plan in relation to the purchase of property for investment purposes, then this matter will be referred to Council for consideration.
- Where an ADI is a subsidiary of another, and has its own credit rating, the two institutions shall be treated as separate and subject to the exposure limits.
- If any investments are downgraded in such a way that they no longer fall within the investment policy, they will be divested into Council's account as soon as practicable.
- Funds will be reasonably accessible, and the maturity date will not exceed one year.

Prohibited Investments

This policy prohibits the use of leveraging (borrowing to invest) and investments carried 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, forward contracts and swaps of any kind.

Risk Management guidelines

- Councils' main objective in investing funds is to preserve the capital while seeking to maximise the interest revenue with minimal risk.
- The amount invested with any one financial institution or managed fund should be diversified and not exceed the following percentages of funds invested:

Direct Deposits

| Long Term Rating (Standard and Poors) | S&P Short Term Rating (or equivalent) | Maximum Percentage of Total Investments | Single Institution Maximum Percentage of Total Investments |
|---|---|---|---|
| AAA | A1+ | 100% | 65% |
| AA | A1 | 100% | 65% |
| A | A2 | 30% | 30% |

Managed funds

| Long Term Rating (Standard and Poors) | S&P Short Term Rating (or equivalent) | Single Fund Maximum Percentage of Total Investment | Single Institution Maximum Percentage of Total Investments |
|---|---|---|---|
| AAA | A1+ | 30% | 45% |
| AA | A1 | 30% | 30% |
| A | A2 | Nil | Nil |

Where Council invests with an institution both directly and /or via a managed fund a single maximum will apply to the total invested (i.e. 45% not 90%)

- Council will be aware of the market risk and the fair value or future cash flows of an investment fluctuations due to changes in market prices.
- Liquidity risk will be taken into consideration and the risk an investor is unable to redeem the investment at fair price within a timely period.

Environment Consideration

Consistent with Councils sustainability initiatives where the rate of return on a green deposit is the same as a non-green deposit within a single institution for the same duration, council will preference these deposits.

Council may give preference to investing its funds in Green Deposits, providing that they meet all other investment criteria.

Benchmark

The performance of the investment portfolio shall be compared to the 90-day Bank Bill Swap Rate (BBSW) as quoted at the end of each month.

REPORTING:

A report will be provided to Council in conjunction with the quarterly Financial Report. The report will detail the investment portfolio in terms of performance, exposure of total portfolio and maturity date.

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

ROLES & RESPONSIBILITIES:

The authority is delegated to the Director Corporate Services to make investment decisions and sign investment lodgement and withdrawals.

Council's organisational values apply to all investment activities.

REFERENCES:

Local Government Act 1993

ADMINISTRATIVE DETAILS:

Policy compiled: April 2009

Adopted by Council: 15/04/09; 15/10/2024

Reviewed: April 2011, April 2013, April 2015; August 2018, November 2020; September 2024

To Be Reviewed: October 2026

Responsibility: Audit Panel

**CHIEF EXECUTIVE OFFICER**

Being the General Manager as appointed by Brighton Council pursuant to Section 61 of the *Local Government Act 1993*