

11.3 ADVERTISING OF AMENDED POLICY - INVESTMENT POLICY

- Attachments:**
1. **Proposed Amended Investment Policy**
 2. **Marked up copy - Investment Policy 1.2.4**

RECOMMENDATION**That Council:**

1. **APPROVES** the proposed amendments to the Investment Policy, at Attachment 1, for the purpose of public notice;
2. **AUTHORISES** the Chief Executive Officer to provide local public notice of the proposed new policy and invite public comments for a period of at least 21 days; and
3. **NOTES** that at the conclusion of the public notice period any submissions received would be presented to Council for consideration.

PURPOSE OF REPORT:

For Council to approve the proposed amendments to the Investment Policy for public notice.

BACKGROUND:

The requirement of provisions outlined in clause 1.3 of the Policy Development and Review Policy were presented to Elected Members in the 6 August 2021 Policy Paper.

The Investment Policy (Policy 1.2.4) was adopted on 24 February 1997 and last reviewed on 6 December 2017.

DETAILS:

The Investment Policy is well overdue for review and Administration proposes this minor policy review to address immediate issues with the policy.

Amendments to the Policy Objectives:

The following objective is proposed to be modified:

Current objective	Proposed objective	Reason
have investment funds achieve an overall return of the UBS Bank Bill Index	maximise investment returns funds achieve an overall return of the UBS Bank Bill Index	The UBS Bank Bill Index has not existed since 2014

Requirement for a documented City position (including community need or legislative requirement):

A documented policy position is required to ensure that the City's investment risk appetite is defined and compliant with regulatory requirements, including:

- Local Government Act 1995 – Section 6.14.
- Trustees Act 1962 – Part III
- Local Government (Financial Management) Regulations 1996
- Australian Accounting Standards

The policy is administered via Council Delegation 2.2.28.

An evaluation of the effectiveness of the existing policy:

The findings of Administrations review of are as follows:

Performance Criteria for this Policy	Comments
Regulatory Compliance	There have been no compliance breaches.
Adverse Audit Findings	There have been no adverse audit findings.
Complies with Delegations	Investment decisions have been made in accordance with approved Council delegations.
Processes are appropriate, documented and complied with	A detailed set of procedures supports the operation of this policy. The procedures were last reviewed in March 2021 and comply with the policy.
Take a conservative approach to investments, but with a focus to add value through prudent investment of funds	Conservative and prudent investment is demonstrated by maintaining or increasing the total value of the investment portfolio each year.
Maximise investment returns	Investment returns have met or exceeded the Reserve Bank cash rate.
Achieve a high level of security of the overall portfolio by using recognised rating criteria	Investments are always informed by rating criteria, and are highly secure.
Maintain an adequate level of diversification	A diversified portfolio is achieved by the application of both the policy and procedures. Divestment profiles also consider the funding of fossil fuels by the relevant institution.
Give preference to investments with institutions that are assessed to have higher social and environmental responsibility ratings	
Have ready access to funds for day-to-day requirements, without penalty	The City has maintained adequate liquidity, without penalty.

The following documented policy changes are required:

- When exercising the power of investment, the Risk Profile (at section 7) is amended so that it *explicitly states that Administration will give consideration to the non-fossil fuel status of the investment*, as one of a number of equally important considerations.

This does not change the risk profile of investments, and must be considered alongside other factors, including the purpose of the investment, the likely return, the liquidity, the aggregate value, and the cost structure.

- When giving preference to an investment with institutions that have a record of funding fossil fuels, due to providing a higher rate of return, the following statement is removed:

... and the additional return generated will be invested back into carbon abatement initiatives within the City of Vincent.

The City does not explicitly quantify the additional return generated, and how this is invested into carbon abatement initiatives, and is non-compliant with the policy as currently written. The policy requirement is difficult to quantify and administer.

However, Administration is confident that the City is compliant with the intent of this policy requirement, as the City annually invests significant funds in carbon abatement initiatives including tree planting, energy efficiency, and other sustainability initiatives.

CONSULTATION/ADVERTISING:

In accordance with the City's Community Consultation Policy, public notice of all new and significantly amended policies must be provided for a period exceeding 21 days in the following ways:

- notice published on the City's website;
- notice posted to the City's social media;
- notice published in the local newspapers;

- notice exhibited on the notice board at the City's Administration and Library and Local History Centre; and
- letters distributed to relevant local businesses and community groups

LEGAL/POLICY:

Section 2.7(2)(b) of the *Local Government Act 1995* provides Council with the power to determine policies.

The City's Policy Development and Review Policy sets out the process for the development and review of the City's policy documents.

RISK MANAGEMENT IMPLICATIONS

Low: It is low risk for Council to provide public notice of the proposed amended policy. The policy amendments do not alter the risk profile of the City's investment approach.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Enhanced Environment

We have minimised our impact on the environment.

When exercising the power of investment, the City considers the impact on the environment and considers non-fossil fuel options.

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

The City seeks to optimise the rate of return in its investments, which in turn generates revenue for other City activities. The policy includes criteria that minimises the risk of investment to the City.

SUSTAINABILITY IMPLICATIONS:

This is in keeping with the following key sustainability outcomes of the *City's Sustainable Environment Strategy 2019-2024*.

Sustainable Energy Use/Greenhouse Gas Emission Reduction

Refer to the enhanced environment outcomes described above.

PUBLIC HEALTH IMPLICATIONS:

This is in keeping with the following priority health outcomes of the City's *Public Health Plan 2020-2025*:

Reduced exposure to environmental health risks

The City's focus on minimising the use of fossil-fuel investments provides downward pressure on these investments, thereby influencing the reduction of harmful environmental health impacts of fossil fuel industries.

FINANCIAL/BUDGET IMPLICATIONS:

The investment policy has an impact on the City's annual budget. It provides policy settings that impact the level of interest revenue generated, the liquidity of cash available to fund operations and the sustainability of special purpose reserves.

INVESTMENT POLICY

Legislation / local law requirements Relevant delegations Related policies, procedures and supporting documentation	<i>Local Government Act 1995 – Section 6.14</i> <i>Trustees Act 1962 - Part III</i> <i>Local Government (Financial Management) Regulations 1996 – R19</i> Australian Accounting Standards
	Council Delegation 2.2.28 – Power to invest and manage investments
	D21/58375 Investment Guidelines and Procedures

PRELIMINARY

INTRODUCTION

The City of Vincent will invest surplus funds in accordance with the Local Government Act and Council Delegations.

PURPOSE

This policy sets guiding principles and financial controls to balance risk and return when managing the investment of City funds. Investment decisions will also reflect the City of Vincent community’s social and environmental expectations.

OBJECTIVE

The purpose of this policy is to

- Ensure the City takes a conservative approach to the investment of funds, but will add value through prudent investment.
- maximise investment returns.
- achieve a high level of security of the overall portfolio by using recognised rating criteria.
- maintain an adequate level of diversification.
- give preference to investments with institutions that are assessed to have a higher social and environmental responsibility rating.
- have ready access to funds for day-to-day requirements, without penalty.

INVESTMENT POLICY

SCOPE

Refers to the investment and management of all funds held by the City, including operating accounts, investment accounts and funds managed under a Trust.

POLICY PROVISIONS

POLICY

The City of Vincent will apply the following principles to all investments made in accordance with section 6.14 of the Local Government Act 1995:

1. Prudent Person Standard

The investment will be managed with the care, diligence, and skill that a prudent person would exercise. The City of Vincent will manage the investment portfolios to safeguard the portfolios and not for speculative purposes.

2. Ethics and Conflicts of Interest

Officers shall refrain from personal activities that would conflict with the proper execution and management of the City of Vincent investment portfolio. Officers will disclose any conflict of interest to the Chief Executive Officer.

3. Authorised Investments

Authorised investments shall be limited to:

- Fixed and floating rate interest bearing deposits with a term to maturity of 12 months or less, with authorised institutions.
- State and Commonwealth Government Bonds with a term to maturity of 3 years or less
- Specific securities approved by Council.

4. Prohibited Investments

This policy prohibits the use of leveraging (borrowing to invest) of an investment.

5. Risk Profile

When exercising the power of investment, the following are to be given consideration:

- The purpose of the investment, and its needs together with the circumstances.
- The nature of and the risk associated with the different investments.
- The need to maintain the real value of capital and income.
- The risk of capital loss or income loss.
- The likely income return and the timing of that return.
- The liquidity and the marketability of the proposed investment during, and at the determination of the term of, the proposed investment.
- The aggregate value of the investment.
- The costs (including commissions, fees, charges and duties payable) of making the proposed

INVESTMENT POLICY

investment.

- The non-fossil fuel status of the proposed investment.

6. Divestment Profile of Institutions

When exercising the power of investment, preference is to be given to investments with institutions that have been assessed to have no current record of funding fossil fuels, providing that doing so will secure a rate of return that is at least equal to alternatives offered by other institutions.

7. Variation to Policy

The Chief Executive Officer or their delegated representative is authorised to approve variations to this policy if the investment is to the City of Vincent’s advantage and/or due to revised legislation.

All variations to this policy, actioned under this clause, are to be report to Council within 14 days.

OFFICE USE ONLY	
Responsible Officer	Executive Manager Financial Services
Initial Council Adoption	24 February 1997
Previous Title	Not Applicable
Reviewed / Amended	27 March 2001, 27 June 2006, 12 August 2008, 28 July 2009, 14 January 2014, 23 August 2016, 12 December 2017
Next Review Date	07/2022

POLICY NO: 1.2.4

INVESTMENT POLICY

OBJECTIVES

To:

- ~~take ensure the City takes~~ a conservative approach to ~~the~~ investment ~~of funds~~, but ~~with a focus to~~ add value through prudent investment of funds;
- ~~have investment funds achieve an overall return of the UBS Bank Bill Index;~~
- ~~maximise investment returns~~
- achieve a high level of security of the overall portfolio by using recognised rating criteria;
- maintain an adequate level of diversification;
- give preference to investments with institutions that are assessed to have higher social and environmental responsibility rating; and
- have ready access to funds for day to day requirements, without penalty.

POLICY STATEMENT

1. AUTHORITY FOR INVESTMENT

All investments are to be made in accordance with:

- *Local Government Act 1995* – Section 6.14.
- *The Trustees Amendment Act 1997* – point 6, re: Part 111 Investments.
- *Local Government (Financial Management) Regulations 1996* – Regulations 19, 19C, 28 and 49.
- Australian Accounting Standards

2. DELEGATION OF AUTHORITY

Chief Executive Officer or his delegated representative has authority to invest surplus funds.

3. PRUDENT PERSON STANDARD

The investment will be managed with the care, diligence and skill that a prudent person would exercise. ~~Officers are to~~ The City of Vincent will manage the investment portfolios to safeguard the portfolios ~~in accordance with the spirit of this Investment Policy~~, and not for speculative purposes.

4. ETHICS AND CONFLICTS OF INTEREST

Officers shall refrain from personal activities that would conflict with the proper execution and management of ~~Council's~~ the City of Vincent investment portfolio. ~~This policy requires officers to~~ will disclose any conflict of interest to the ~~CEO~~ Chief Executive Officer.

5. AUTHORISED INVESTMENTS

Authorised Investment shall be limited to:

- Fixed and floating rate interest bearing deposits with a term to maturity of
 - 12 months or less with authorised institutions:
- State and Commonwealth Government Bonds with a term to maturity of 3 years or less; and
- Specific securities approved by Council.

6. PROHIBITED INVESTMENTS

This Policy prohibits the use of leveraging (borrowing to invest) of an investment.

7. RISK PROFILE

When exercising the power of investment the following are to be given consideration:

- The purpose of the investment, and its needs together with the circumstances.
- The nature of and the risk associated with the different investments.
- The need to maintain the real value of capital and income.
- The risk of capital loss or income loss.
- The likely income return and the timing of that return.
- The liquidity and the marketability of the proposed investment during, and at the determination of the term of, the proposed investment.
- The aggregate value of the investment.
- The costs (including commissions, fees, charges and duties payable) of making the proposed investment.
- The non-fossil fuel status of the proposed investment.

8. DIVESTMENT PROFILE OF INSTITUTIONS

When exercising the power of investment, preference is to be given to investments with institutions that have been assessed to have no current record of funding fossil fuels, providing that doing so will secure a rate of return that is at least equal to alternatives offered by other institutions.

~~Where an investment is made with an institution that has been assessed to have a record of funding fossil fuels, due to providing a higher rate of return, the additional return generated will be invested back into carbon abatement initiatives within the City of Vincent.~~

9. VARIATION TO POLICY

The Chief Executive Officer or their delegated representative be authorised to approve variations to this policy if the investment is to Council's advantage and/or due to revised legislation.

All changes to this policy, actioned under this clause, are to be reported to Council within 14 days.

Date Adopted:	24 February 1997
Date Amended:	27 March 2001, 27 June 2006, 12 August 2008, 28 July 2009, 14 January 2014, 23 August 2016, 12 December 2017,
Date Reviewed:	6 December 2017 <u>5 October 2021</u>
Date of Next Review:	23 August 2019 <u>30 June 2022</u>