

7.8 OUTCOME OF ADVERTISING AND ADOPTION OF AMENDMENTS TO INVESTMENT POLICY

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

RECOMMENDATION:

That Council **ADOPTS** the Investment Policy at Attachment 1.

PURPOSE OF REPORT:

To present the outcome of public consultation and seek approval of the proposed Investment Policy at Attachment 1.

BACKGROUND:

At its 12 October 2021 Meeting, Council endorsed the draft Amended Investment Policy for the purposes of community consultation.

The Investment Policy was overdue for review and Administration proposed a minor policy review to address immediate issues with the policy.

The draft amended Investment Policy is included as **Attachment 1**.

A major review of the City's investment strategy is planned to occur later this financial year and the investment policy would be reviewed again at that time.

DETAILS:**Amendments to the Policy Objectives:**

The following objective has been modified:

Current objective	Proposed objective	Reason
have investment funds achieve an overall return of the UBS Bank Bill Index	maximise investment returns have investment 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):

This policy 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:

In reviewing the policy, Administration noted the following:

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) has been 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 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 has been removed:

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

In the original policy, the City did not explicitly quantify the additional return generated, and how this was invested into carbon abatement initiatives. The City has been non-compliant with the policy as was originally written. The policy requirement was difficult to quantify and administer.

Administration is confident that the City has been 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 and Stakeholder Engagement Policy, public notice was given for the period between 8 and 30 November, which is in excess of the 21 days required.

The policy was advertised on the City of Vincent website, social media and through the following public notices:

- Perth Voice – 13 November; and
- notice exhibited on the notice board at the City's Administration and Library and Local History Centre.

No public submissions were received.

LEGAL/POLICY:

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

The City's Policy Development and Review Policy sets out the process for repealing and adopting policies.

RISK MANAGEMENT IMPLICATIONS

Low: Adopting the proposed policy is low risk. 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 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.

