

# INVESTMENT POLICY

<b>Every Legislation / local law requirements</b>	<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
<b>Relevant delegations</b>	Council Delegation 2.2.28 – Power to invest and manage investments
<b>Related policies, procedures and supporting documentation</b>	Investment Guidelines and Procedures - D21/58375

## 1. INTRODUCTION

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

## 2. PURPOSE

This Policy establishes the principles, governance framework and controls for the prudent investment of City funds. It aims to balance capital preservation, liquidity, and return, while reflecting the City’s ethical, environmental and social responsibility commitments, and ensuring compliance with all legislative requirements.

## 3. OBJECTIVE

The purpose of this policy is to:

- a. Preserve the real value of capital;
- b. Ensure sufficient liquidity to meet all reasonably foreseeable cash flow requirements;
- c. Achieve an appropriate return considering market conditions and risk profile of the ADI;
- d. Maintain a high level of diversification across counterparties and maturity profiles;
- e. Apply the Prudent Person Standard in all investment decisions; and
- f. Give preference to environmentally and socially responsible investments, including non-fossil-fuel institutions, where consistent with the primary objectives above.

## 4. SCOPE

This Policy applies to all funds invested by the City, including:

- a. Municipal (operating) funds;
- b. Reserve and specific purpose funds;
- c. Trust funds.

# INVESTMENT POLICY

## 5. DEFINITIONS

For the purpose of this Policy:

**ADI** – Authorised Deposit-Taking Institution as defined in the Banking Act 1959 (Commonwealth) section 5.

**Portfolio** – The total investment holdings of the City at any point in time.

## 6. LEGISLATIVE AND REGULATORY FRAMEWORK

All investments must comply with:

- *Local Government Act 1995* (s.6.14);
- *Local Government (Financial Management) Regulations 1996* (Regulations 19 and 19C);
- *Trustees Act 1962* (Part III); and
- Australian Accounting Standards.

## 7. DELEGATION AND AUTHORITY

Authority to implement this Policy is delegated by Council to the Chief Executive Officer, who may further delegate operational responsibilities to authorised finance officers in accordance with Council's Delegations Register.

No investment may be made outside the parameters of this Policy.

## 8. 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.

## 9. 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.

# INVESTMENT POLICY

## 10. AUTHORISED INVESTMENTS

Subject to legislation, authorised investments are limited to Australian-dollar-denominated investments with approved counterparties, including:

- a. Fixed and floating rate interest-bearing deposits with ADIs or the Western Australian Treasury Corporation; and
- b. State, Territory and Commonwealth Government Bonds;

Maximum terms to maturity are governed by Section 14 of this Policy.

## 11. AT-CALL FUNDS – EXEMPTION FROM THRESHOLD LIMITS

At-call cash management accounts held with the City's primary transactional banker (currently Commonwealth Bank of Australia) are excluded from individual counterparty investment threshold requirements, recognising their operational liquidity function and daily cash-flow management purpose.

## 12. PROHIBITED INVESTMENTS

This policy prohibits the use of leveraging (borrowing to invest) of an investment. The following are prohibited:

- a. Derivative-based instruments;
- b. Structured or leveraged products;
- c. Any investment not permitted under Regulation 19C.

## 13. INVESTMENT GUIDELINES AND TERM TO MATURITY LIMITS

### 13.1 Quotation Requirements

- For term investments, the City will obtain not less than three comparable quotations, unless impractical due to prevailing market conditions.
- Quotations may be obtained directly from authorised institutions or via an approved third-party online investment platform that aggregates rates from multiple ADIs.
- Where an online platform is used, quotations must relate to the same investment amount, term to maturity, and conditions, and be sourced from at least three different ADIs, thereby satisfying the three-quotation requirement.
- The selected investment will represent the most advantageous option having regard to return, credit quality, diversification limits, liquidity requirements, and policy compliance, rather than interest rate alone.
- All investments must be appropriately documented and retained at the time of placement to support audit and compliance requirements.

# INVESTMENT POLICY

## 13.2 Term to Maturity Limits

The term to maturity for investments is:

- **At-call deposits:** No maturity limit (operational liquidity)
- **Term deposits and government bonds:** Up to 3 years (1,095 days)

Longer-dated investments will generally be applied to trust, reserve and specific purpose funds where cash flow requirements are known and predictable.

## 13.3 Rollover of Investments

Where an investment reaches maturity and the underlying funds are not required for operational liquidity or committed expenditure, the Chief Executive Officer (or authorised delegate) may reinvest or “roll over” the funds directly with the same or another approved counterparty, provided that:

- a. The reinvestment complies with all credit rating, counterparty concentration and term-to-maturity limits in this Policy;
- b. The rollover decision considers updated cash flow forecasts and liquidity requirements;
- c. Competitive quotations are obtained in accordance with Section 3.1;
- d. The reinvestment does not extend beyond the maximum term applicable to the relevant fund classification (Municipal, Trust or Reserve); and
- e. The decision is documented and included in the next monthly investment report to Council.

Funds are not required to be transferred back to the City’s municipal operating account where there is no immediate liquidity requirement.

## 14. RISK MANAGEMENT FRAMEWORK

The City will manage investment risk through a structured framework addressing credit risk, counterparty concentration risk, liquidity risk, interest rate risk, and term-to-maturity risk, consistent with contemporary local government best practice and the Prudent Person Standard.

### 14.1 Risk Principles

When exercising the power of investment, the following principles must be considered:

- The purpose of the investment and underlying cash flow requirements;
- The nature and level of risk associated with the investment;
- The need to preserve the real value of capital and income;
- The likelihood and impact of capital or income loss;
- Liquidity and marketability during and at maturity;
- Portfolio concentration and diversification;
- Ethical, environmental and reputational risk.

### 14.2 Credit Rating Framework

Credit ratings issued by Standard & Poor’s (or Moody’s / Fitch equivalent) will be used to assess counterparty risk. Where ratings differ between agencies, the lower rating will apply.

# INVESTMENT POLICY

## 14.3 Counterparty Credit and Diversification Limits (Direct Investments)

Long-Term Credit Rating (>365 days)	Risk Description	Maximum % with Any One Institution	Maximum % of Total Portfolio
Government Guaranteed Deposits	Commonwealth Government backed	100%	100%
AAA	Extremely strong capacity to meet obligations	50%	100%
AA+ to AA-	Very strong capacity to meet obligations	50%	90%
A+ to A-	Strong capacity, more susceptible to adverse conditions	30%	80%
BBB+	Adequate protection parameters	20%	70%
BBB or below	Speculative / unacceptable	Nil	Nil

The **minimum acceptable long-term credit rating** for any non-government-guaranteed investment is **BBB+**.

## 14.4 Term-to-Maturity Framework

The investment portfolio will be structured to ensure adequate liquidity while allowing longer-term investments where cash flows are predictable:

Portfolio Component	< 1 Year	1–3 Years
Municipal	100%	0%
Reserve and Specific Purpose Funds	Up to 100%	Up to 70%
Trust Funds	Up to 100%	Up to 70%

Longer-term investments (greater than 12 months) will generally be limited to trust, reserve and specific purpose funds as per 14.4 table above.

## 15. ETHICAL, ENVIRONMENTAL AND SOCIAL INVESTMENT

- The City will apply a deliberate preference for investments with institutions that do not materially finance fossil fuel extraction or carbon-intensive industries;
- This preference will only be exercised where credit quality and liquidity are not materially disadvantaged; and
- All investment decisions must comply with the requirements of Section 14 (Counterparty Credit Risk and Diversification) to ensure appropriate credit quality and portfolio diversification.

# INVESTMENT POLICY

## 16. REPORTING AND TRANSPARENCY

A monthly investment report will be provided to Council detailing:

- Portfolio balance and performance;
- Maturity profile;
- Counterparty exposure;
- Compliance with this Policy;
- Fossil-fuel exposure considerations.

Annual confirmation certificates must be obtained from financial institutions for audit purposes.

## 17. VARIATION TO POLICY

The Chief Executive Officer may approve temporary variations to this Policy where it is in the City’s interest or required due to legislative change. All variations must be reported to Council.

## 18. REVIEW

This Policy will be reviewed at least every two years, or earlier if legislative, financial market or strategic circumstances change.

OFFICE USE ONLY	
<b>Responsible Officer</b>	Manager Financial Services
<b>Initial Council Adoption</b>	24 February 1997
<b>Previous Title</b>	Not applicable
<b>Reviewed / Amended</b>	27 March 2001, 27 June 2006, 12 August 2008, 28 July 2009, 14 January 2014, 23 August 2016, 12 December 2017, 8 February 2022; February 2026
<b>Next Review Date</b>	February 2030