



# Brighton Council

**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.

## **DEFINITIONS:**

*"Authorised Institution (ADI)"* are Financial institutions in Australia that are only permitted to accept deposits if granted by the Australian Prudential Regulation Authority (APRA) under the *Banking Act 1959*

*"Counterparty"* means the other party that participates in a financial transaction.

*"Credit Rating"* means an estimate of overall ability and willingness of an entity or person to fulfil financial obligations in full and on time, based on previous financial dealings. Ratings are opinions issued by credit rating agencies.

*"Foreign Currency"* means a currency other than Australian Dollars (AUD).

*"Short-term"* in relation to investments means it matures in 12 months or less.

*"Long term"* in relation to investments means it matures in excess of 12 months.

## **POLICY:**

All the Council's investments will be managed in accordance with the following framework.

- 1. Prudent Person Standard** The investment will be managed with the care, diligence and skill that a prudent person would exercise. Officers are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Investment Policy, 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 Council's investment portfolio. This policy requires Officers to disclose any conflict of interest to the General Manager.
- 3. Authorised Investments** Authorised Investments shall be limited to Australian currency denominated:
  - Deposits with Authorised Deposit Taking Institutions (ADIs) as defined in section 5 of the Banking Act 1959 (Commonwealth) with a Standard & Poor's (or its equivalent) credit rating of A or higher (subject to overall limits)
  - Bonds that are guaranteed by the Commonwealth Government or a State or Territory and which have a term not exceeding three years.

#### 4. Prohibited Investments

4.1 This Investment Policy prohibits any investment carried out 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.

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

4.3 This policy also requires that the Council may not do any of the following when investing money

- Deposit with an institution except an authorised institution
- Deposit for a fixed term of more than 3 years
- Invest in bonds that are not guaranteed by the Commonwealth Government or a State or Territory government
- Invest in bonds with a term to maturity of more than 3 years;
- Invest in a foreign currency

#### 5. Risk Management guidelines

5.1 **Portfolio Credit Framework** To control the credit quality on the investment portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum for category %
AAA	A-1+	100%
AA	A-1	100%
A	A-1	50%

5.2 **Counterparty Credit Framework** Exposure to an individual counterparty/institution will be restricted by its credit rating so that single entity exposure is limited, as detailed in the table below:

S&P Long Term Rating	S&P Short Term Rating	Direct Investment Maximum for category %
AAA	A-1+	30%
AA	A-1	25%
A	A-1	20%

If any of the investments within the portfolio are subject to a credit rating downgrade such that the portfolio credit percentages are no longer compliant with the Investment Policy, or there is a review of this policy, the investment will be divested as soon as practicable.

5.3 **Term to Maturity Framework** The investment portfolio is to be invested within the following maturity constraints:

Investment Type	Term to Maturity
ADI Deposits	≤ 3 years
State/Commonwealth Government Bonds	≤ 3 years

Overall Portfolio Term to Maturity Limits	
Portfolio % < 1 year	100% Minimum 60%
Portfolio % > 1 year ≤ 3 year	40%

## 6. 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 monthly 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 Deputy General Manager – Gregory Davoren and Corporate Executive Officer Gillian Browne to make investment decisions and sign investment lodgement and withdrawals.

### REFERENCES:

*Local Government Act 1993*

### ADMINISTRATIVE DETAILS:

Policy compiled: April 2009

Adopted by Council: 15/04/09

To Be Reviewed: November 2022

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

Responsibility: Deputy General Manager



GENERAL MANAGER