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## Investment policy (reviewed)

Responsible Officer: Group Manager Corporate and Commercial (Geoff Ward)

Report Author: Finance Manager (Jonathan Patino)

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### Recommendation

That Council note this report and adopt the revised Investments policy with amendments.

### Background

The Investments policy is subject to an annual review and was last reviewed in June 2022. Proposed changes to this policy were presented to the governing body at the Councillor workshop in October 2023. Council's policy incorporates the best practice principles established by the NSW Office of Local Government, namely the Investment Policy Guidelines (May 2010), issued under section 23A of the *Local Government Act 1993* (Director-General's guidelines). The policy also includes specific local guidelines on diversification and application of credit rating risk that Council applies to its process and procedures for investment management.

- **Amendments to Ethical Investments**

Minor amendments have been made to section 6 to rename Ethical Investments to Investments That Do Not Support the Fossil Fuel Industry and to allow investments in these investments up to 30% of the total investment portfolio if they offer a competitive rate of return. The 30% limit has been set to comply with the threshold and exposure information below as most institutions that do not support the fossil fuel industry have a credit rating of BBB+ or lower.

- **Threshold and Exposure**

New South Wales Treasury Corporation (NSW TCorp) issued Council with a letter in October 2023 that amended borrowing terms in existing loan documentation with Rous which was reported to Council in October 2023 [47/23]. This allows Council more flexibility with its investment limits across different credit ratings, however any changes to the existing requirements could affect the ability to borrow funds for, NSW TCorp in the future. Due to the level of future borrowings required to complete the objectives of Council's Long-Term Financial Plan, the existing requirements have been maintained. This will support Council in maintaining a strong credit rating for its lending program in the future.

The existing policy establishes that the maximum percentage of the portfolio that may be invested with rated Authorised Deposit-Taking Institutions (ADIs) and unrated ADIs is set as follows:

Credit Rating (Standard & Poor's Long-Term)**	Maximum Limit	Single Entity Exposure Limit	Max Tenor
AAA	100%	100%	3 years
AA+ to AA-	100%	100%	3 years
A+ to A	100%	30%	3 years
A-	40%	20%	3 years
BBB+	30%*	10%	3 years
BBB		5%	1 year
BBB- & below – local ADIs	5%	5%	1 year
BBB- & below - other		\$250k	1 year

\*Sub-limit of 10% applies to ADIs rated BBB+ & BBB.

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\*\* Where a counterparty has two or more ratings, it is the Standard & Poor's equivalent of the lower of those ratings that shall apply for the purposes of the Investments policy.

Council's current counterparty risk is considered appropriate and manageable in relation to Council's Investment policy. This view has been formed on the basis that Australian ADIs are soundly managed within the Australian Prudential Regulation Authority frameworks.

### **Finance**

Section 625 of the *Local Government Act 1993* provides that a council may invest money that is not, for the time being, required by it for any other purpose. Money may be invested only in a form of investment notified by order of the Minister published in the Gazette. The proposed policy is consistent with the '*Local Government Act 1993 – Investment Order*' issued 12 January 2011.

### **Consultation**

The current policy has been reviewed by the Finance Manager in combination with consideration of constituent councils' investment policies and investment guidelines issued by TCorp.

### **Conclusion**

The current policy complies with all regulatory requirements and Council's investment objectives. Some minor changes are proposed to the 2023 policy.

### Attachment

1. Revised Investment policy
2. Investment policy (adopted 15/06/2022)