Council Policy

Council Policy Name: **Investment**

Responsible Directorate: **Finance and Corporate Services** **Version:** **Adopted**

1. PURPOSE

1.1. The purpose of this Policy is to provide risk management guidelines in relation to the investment of surplus funds, with the principal objective being the preservation of capital.

1.2. This Policy authorises the Chief Executive Officer to invest surplus funds in accordance with this Policy.

2. SCOPE

2.1. This Policy is applicable to all investments made by the City of Busselton with the exception of deposits held in accordance with a grant funding agreement and details the relevant authorities for investment, the nature and type of investments that can be entered into, institution exposure limits, and associated reporting requirements.

3. DEFINITIONS

Term	Meaning
ADI	Authorised Deposit-Taking Institutions authorised under the *Banking Act 1959* to take deposits from customers
Austraclear	the Austraclear System, which is regulated by the Reserve Bank, simplifies settlement complexities and enhances straight-through-processing (STP), office integration and cross border opportunities to facilitate the registering, bookkeeping, clearing and settlement of a broader range of derivative, security and cash asset classes
Big Four Bank	one or more of the Commonwealth Bank, the National Australia Bank, Westpac or ANZ Bank
Counterparty	the legal and financial term that refers to the other individual or institution to an agreement or contract
Safe Custody Custodian	a brokerage or other financial institution that holds and manages securities, or other assets, on behalf of an investor
Policy	this City of Busselton Council policy titled “Investment”
Rating Agency	credit rating agency Standard and Poors (S & P)

4. STRATEGIC CONTEXT

Strategic Theme	Objective
LEADERSHIP	16. Provide effective governance and organisational leadership.

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5. POLICY STATEMENT

5.1. The principal objective of Council with respect to the investment of surplus funds is the preservation of capital. Investment decisions must primarily align with this objective.

5.2. While a conservative approach is to be adopted, the maximisation of returns within the confines of this Policy is also encouraged, with investment earnings augmenting reserve balances and supplementing general revenue streams.

5.3. The nature of funds available for investment includes reserves, other restricted funds (e.g. contributions and bonds and general revenue funds in excess of immediate cash-flow requirements).

5.4. The following four factors will guide investment decisions:

a. the use of Rating Agency credit ratings (Security);
b. the maintenance of adequate levels of diversification (Security);
c. the ability to have ready access to funds for day-to-day requirements (Liquidity); and
d. compliance with appropriate legislative requirements (Compliance).

Investment Guidelines – Credit Quality, Diversification and Term to Maturity Constraints

5.5. Investments are limited to those permitted by the appropriate legislation, being:

a. with an ADI; or
b. a bond guaranteed by the Commonwealth Government, or a State or Territory Government.

5.6. All investments must be denominated in Australian Dollars.

5.7. The portfolio credit guidelines to be adopted will be based on the Ratings Agency ratings system criteria. The maximum available limits in each rating category is reflected in Table 1 below.

5.8. Exposure to individual Counterparties/financial institutions will be restricted by the Rating Agency rating so that single entity exposure is limited, as detailed in Table 1 below.

Table 1

Long Term Credit Ratings	Short Term Credit Ratings	Maximum Percentage With One Financial Institution	Maximum Weighting as % of Total Investment Portfolio
AAA (All Aus. ADI)	A-1+	40%	100%
AA (Aus. Big Four Bank)	A-2	40%	100%
AA (Other Aus. ADI)	A-2	20%	100%
A (All Aus. ADI)	A-2	15%	60%
BBB (All Aus ADI)	A-3	10%	20%

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5.9. Legislation restricts the term to maturity for a deposit with an ADI to a maximum term of three years, and a bond to a maximum term of 3 years. The investment portfolio is to be invested with the following term to maturity constraints:

Duration	Maximum
Portfolio % < 1Year	100%
Portfolio % > 1 Year < 3 Years	20%

5.10. Investments which are downgraded and no longer fall within the investment guidelines outlined in this Policy will be divested as soon as practicable.

5.11. From time to time financial assets may be acquired at a discount or premium to their face value. Any such discount or premium is to be considered in line with relevant Australian Accounting Standards.

5.12. Any investment funds held in a standard bank account, other than a term deposit as permitted by this Policy, will be excluded when verifying compliance with this Policy.

Safe Custody Arrangements

5.13. Where necessary, investments may be held with a Safe Custody Custodian, if the following criteria are met.

a. the City must retain beneficial ownership of all investments.
b. adequate documentation is provided, verifying the existence of the investments.
c. the Safe Custody Custodian conducts regular reconciliation of records with relevant registries and/or clearing systems.
d. the Safe Custody Custodian recording and holding the assets will be:
    i. Austraclear; or
    ii. an ADI with an investment grade Rating Agency or Moody's rating; or
    iii. an ADI with adequate insurance, including professional indemnity insurance and other insurances considered prudent and appropriate to cover its liabilities under any agreement.

Reporting

5.14. A report will be provided to the Council on a monthly basis, detailing the performance of the investment portfolio and Counterparty percentage exposure of total portfolio. The report will also detail investment income earned versus budget year to date and confirm compliance of the City's investments within legislative and policy limits.

6. RELATED DOCUMENTATION / LEGISLATION

6.1. Local Government Act 1995 (Section 6.14)
6.2. Local Government (Financial Management) Regulations 1996 (Regulation 19C)
6.3. Trustees Act 1962

7. REVIEW DETAILS

Review Frequency		3 yearly		
Council Adoption	**DATE**	21 October 2026	**Resolution #**	C2610/286
Previous Adoption	**DATE**	18 October 2023	**Resolution #**	C2310/128

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