## Review of the Investment Policy and Strategy

**File No: X020701**

## Summary

This report presents the revised Investment Policy (Policy) and Investment Strategy (Strategy) for the management of Council's funds.

The Policy and Strategy are reviewed annually, as a minimum, to ensure they remain appropriate and respond to changes in economic, investment and legislative environments. The annual review of the Policy and Strategy, together with the proactive management of funds, has resulted in a secure investment portfolio that aims to continue to outperform the benchmark returns required by the policy.

The Investment Policy sets out Council's investment objectives to safeguard the City's cash and investment portfolio, achieve appropriate rates of return and manage the portfolio to ensure sufficient liquidity to meet Council's business objectives. It includes investment criteria to frame investment decisions, risk management parameters, and investment governance standards to ensure transparency, internal controls and performance management.

The Investment Strategy outlines Council's investment intentions in light of the current economic, investment and legislative environments. The focus is on the investment opportunities available to the City, guiding investments to be maintained in the coming 12 months and the investment of new funds. The Strategy aims to accomplish a balanced and diversified portfolio in terms of investment products, credit ratings and term to maturity to ensure sufficient liquidity will be available as funds are required. The Strategy remains unchanged aside from some minor administrative adjustments as it presently meets liquidity requirements for Council's ongoing capital works program, the objectives for investment performance and continues to prudently manage credit risk.

The proposed Investment Policy and Strategy will continue to maintain an investment portfolio that is reasonably conservative; and comprise investments in institutions with high investment grade credit ratings that are all subject to APRA regulation, while at the same time allowing some flexibility for appropriate investment opportunities that enhance the City's financial returns.

## Recommendation

It is resolved that:

(A) Council adopt the revised Investment Policy and Investment Strategy as shown in Attachments A and B to the subject report

(B) authority be delegated to the Chief Executive Officer to make minor amendments to the Investment Policy and Investment Strategy to correct any drafting errors and finalise design, artwork and accessible formats for publication.

## Attachments

**Attachment A.** 2026/27 Investment Policy

**Attachment B.** 2026/27 Investment Strategy

## Background

1. The Investment Policy and Strategy are reviewed annually to ensure they remain relevant to prevailing market and legislative conditions. In situations where market volatility and uncertainty arise from changes in the economic, investment and legislative environments, the review may be brought forward for adoption by Council at an earlier date so that key changes can be made to the Policy and Strategy to deal with the respective market conditions.

2. The purpose of the Policy and Strategy is to ensure the investments are secure, satisfy Council's risk / return criteria and are compliant with the Local Government Act, as well as to optimise investment income from the short- and long-term investment of funds that are surplus to the City's present operational needs. As per the Policy the City invests in a term of 1 month to 5 years, with 81 per cent of the portfolio, including at call account, is due to mature in the coming year. The City's investment portfolio returns are comparable to those of cash-managed funds available in the market.

3. For comparison purposes, investment funds offered by TCorp were also considered. However, these funds are generally geared towards longer-term investment horizons. While they may deliver strong returns over the long term, performance can be highly volatile in the short term, with the potential for significantly lower-than-expected returns. Consequently, these options may not offer the level of stability and predictability required to support the City's overall investment objectives.

4. The City's investment portfolio remains conservative due to the robustness of the Australian domestic investment market under the supervision of the Australian Prudential Regulation Authority ('APRA') which extends across the full range of financial institutions. The City's current portfolio remains conservative with significant investment in AA-, but it is also more diversified, as it also includes APRA-regulated A+ to A rated bank investments together with a handful of investment-grade A- to BBB rated investments.

5. The Policy encourages investments in environmentally and socially responsible investments provided that they meet the risk and return requirements of other investments.

6. There are only minor administrative changes, proposed as part of this latest iteration of the Policy, including revising the language and formatting updates that were incorporated to the Policy. The changes do not change the overall intent of the Policy but clarifying the City's intent and simplify the administration of the policy. The main amendments include:

    - minor formatting and language updates in the Investment Policy and Investment Strategy

    - updating the actuals for the investment portfolio as at August 2026 in the Investment Strategy, under 'Composition of the City's investment portfolio' paragraph

    - updating the percentage as per actuals for August 2026 of APRA regulated Big Four Banks and Australian mid- tier banks in the Investment Strategy under 'Risk Profile'

- updating portfolio performance against benchmarks current and projected (2026 to 2027) graph as of August 2026 in the Investment Strategy

- updating Portfolio Benchmarks projected cash rate and earning (2026 to 2027) graph in the Investment Strategy.

7. Council's Investment Policy and Investment Strategy continue to permit and encourage environmental and Socially Responsible Investment (SRI) activity. The Ministerial Investment Order limits the range of financial institutions in which NSW councils can invest and prohibits many of the available socially responsible investment products.

8. The City has good relationships with its financial institutions and regularly meets to advocate for new investment products that will achieve our desire to increase our commitments to social and responsible investment. Green Tailored Deposits have been independently certified to meet the Climate Bonds Standard while not compromising the credit risk of the product. These deposits are associated with a defined pool of eligible assets which meet the Climate Bond Standard criteria including renewable energy, low carbon transport, low carbon intensity emitting buildings, waste and water products and are independently certified annually.

9. The key objectives of the current Investment Strategy remain valid for the present economic, investment and legislative environments. The Strategy remains unchanged, with some minor administrative updates to reflect current portfolio composition, performance and market conditions. It currently meets liquidity requirements for Council's ongoing capital works program, objectives for investment performance and continues to prudently manage credit risk.

10. The proposed Investment Policy and Strategy continue to satisfy the compliance requirements of the Ministerial Investment Order.

11. It should be noted that the Investment Strategy is a 'guiding principles' document. As market conditions change significantly and very quickly, the Strategy may need to be amended from time to time, in which case Council would be advised through the monthly Investment Report.

**Risks**

12. This investment approach is within the City's risk appetite, which states:

    (a) The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.

    (b) We maintain a cautious appetite to financial risks, aiming to minimise the likelihood and impact of significant financial losses.

## Financial implications

13. There are no direct financial impacts arising from adoption of the revised Policy and Strategy. The Strategy is designed to maximise returns within legislative constraints while maintaining liquidity and capital protection.

## Relevant legislation

14. Council is authorised to invest its surplus cash under Section 625 of the Local Government Act 1993.

15. The Local Government Code of Accounting Practice and Financial Reporting states that Council must maintain an investment policy that complies with the Act and ensure it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

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