

Policy

SG41 – Investment

Type:	Strategic
Legislation:	<i>Local Government Act 1995</i> <i>Trustees Act 1962</i> Local Government (Financial Management) Regulations 1996 Local Government (Financial Management) Amendment Regulations 2012 Australian Accounting Standards
Procedure:	Investment
Delegation:	Chief Executive Officer
Other related document:	NA

Objective

To outline the requirements for investing surplus, long term cash, current assets and other funds in authorised investments in accordance with the *Local Government Act 1995* and other relevant legislation.

Policy

This policy sets out the parameters for the investment of surplus funds;

1. Preservation of capital

Investments are to be undertaken in a manner that seeks to provide security and safeguarding of the investment portfolio to ensure capital preservation.

2. Ensuring sufficient liquidity

Investments are to be made in a manner to ensure sufficient liquidity to meet all reasonably anticipated cash flow requirements, without incurring significant costs due to the unanticipated sale of an investment.

If any liquid investments held are downgraded such that they no longer fall within these policy guidelines, they will be divested within 30 days or as soon as is practicable.

3. Maximise returns

Investments are to be performed in a manner that enables maximum returns on the investment within the credit risk and diversification limits set out in this policy.

4. Portfolio credit framework

To control the credit quality of the portfolio, the following credit framework limits the percentage of the portfolio exposed to any particularly credit rating category.

Credit quality	Maximum % of total investments
Tier 1	100%
Tier 2	60%
Tier 3	25%
Tier 4	15%

Deposits qualifying for the Federal Government Guarantee are to be considered Tier 1 in line with the Federal Government’s credit rating, and should not count towards a counterparty limit as outlined in this policy.

5. Counterparty credit framework

Investments are not to exceed the following percentages of average annual funds invested with any one financial institution or managed fund and consideration should be given to the relationship between credit rating and interest rate.

Credit quality	Maximum % of total investments
Tier 1 (excl. AAA government)	45%
Tier 2	15%
Tier 3	5%
Tier 4	(\$1m)

6. Divestment from Carbon Emissions

The City of Fremantle considers climate crisis a serious threat to current and future generations locally, nationally and internationally.

Most world governments have agreed through the 2009 Copenhagen Accord that any warming above a 2°C (3.6°F) rise would be unsafe, and that future carbon emissions release should be significantly limited.

The Carbon Tracker Initiative found that fossil fuel companies possess proven fossil fuel reserves that would release approximately 2,795 gigatons of CO² if they are burned, which is five times the amount that can be released without exceeding 2°C of warming.

The City of Fremantle has committed to carbon neutrality, and to this end seeks to ensure its financial investments consider the reduction of fossil fuels and our One Planet Fremantle Strategy.

To this end the City of Fremantle will review and manage its investment portfolio to identify financial institutions which support either direct or indirect support of fossil fuel companies and will limit investments in these institutions to the minimum required which will allow compliance with parts 4 and 5 above.

7. Liquidity

The investment portfolio is to be invested within the following maturity parameters.

Credit quality	Maximum % of total investments
Portfolio % < 90 days	100% (with 10% minimum)
Portfolio % < 1 year	100% (with 50% minimum)
Portfolio % 1-3 years	60%
Portfolio % > 3 years	Not permitted

Responsible directorate:	Corporate services
Reviewing officer:	Director Corporate Services
Decision making authority:	Council
Council item number:	SGS1408-5
Policy adopted:	26 April 2007
Policy amended:	28 November 2012, 27 August 2014
Next review date:	2018