

Objective

The Council Financial Investment Policy (Policy) demonstrates the City of Mandurah's (the City) conservative and prudent investment of surplus community funds in order to provide the best possible level of capital protection and to earn a level of return commensurate with a low-risk investment profile.

The Policy objectives are to:

- Ensure compliance with the *Local Government Act 1995* and regulation 19C of the *Local Government (Financial Management) Regulations 1996*;
- Ensure the safety and security of the investment made in relation to the credit risk of the borrowers and interest rate on offer;
- Ensure there is sufficient liquidity to meet the operational cash flow requirement as and when they fall due, without incurring additional cost to the City; and
- Achieve a predetermined return on investment taking into account the market condition and risk profile.

Applicability

This Policy is binding on all City Employees where delegated authority applies and Elected Members.

Requirements

Investment Strategy

The City should apply the following strategies in order to help achieve its objectives:

- Achieve a portfolio balance which is biased towards direct cash deposits with high grade institutions; and
- Place investments so as to achieve a diversity of institutions.

Prohibitive Investment

This Policy also requires that the City may not do any of the following when investing money, in accordance with regulation 19C of the *Local Government (Financial Management) Regulations 1996*:

- Deposit with an institution except an Authorised Deposit Taking Institutions (ADIs);
- 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; and
- Invest in a foreign currency.

All of the City's investments are to be held in the name of the 'City of Mandurah' and certificates are to be provided by the ADI.

This 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, forwards contracts and swaps of any kind.

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

Criteria for Investment

Where the investments permitted in accordance with the 19C of the *Local Government (Financial Management) Regulations 1996* the following criteria apply:

Approved Institutions

Investments shall be made with Authorised Deposit Taking Institutions (ADI) that meet this policy's criteria on diversification and credit risk.

Diversification and Credit Risk

The approach to diversification must be balanced with the need to seek an adequate rate of return for the City, given that higher rates of return are usually associated with higher credit risk. 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.

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:

Long Term Rating	Short Term Rating	Direct Investments Maximum % with any one ADI	Maximum % Total Portfolio within any category
AAA Category	A1+	100%	100%
AA Category	A1+	60%	100%
A Category	A1	10%	20%

If any of the funds/securities held are downgraded as such that they no longer fall within the above listed credit ratings and exposure limits and are no longer consistent with this Policy, the investment will be divested as soon as practicable.

Credit Rating

When considering any institution, the reference credit rating is the lowest of the ratings issued by Standard & Poors, Moody's and Fitch Ratings.

The following is a brief definition of ratings:

Short Term rating order (0 to 3 months)

A1+/P-1/F1	Extremely strong capacity to meet financial commitments
A2/P-2/F2	Strong capacity to meet financial commitments
A3/P-3/F3	Satisfactory capacity to meet its financial commitments

Long Term (longer than 3 months)

AAA to AAA-/Aaa-Aaa	Extremely strong capacity to meet financial commitments
AA+ to AA-/Aa+ - Aa-	Very strong capacity to meet financial commitments
A+ to A-/A1-A3	Strong capacity to meet financial commitments

The credit rating for ADIs will be checked annually at the beginning of the financial year as well as at the time of the investment to ensure compliance with this Policy.

Return on Investment

The City must consider the return on investment for each investment category as the primary driver when determining the selection of an ADI. Consideration may be given to term deposits with maturities of up to 36 months, provided they align with the City's long-term financial planning and current economic conditions. This approach ensures the City achieves maximum return on investment while maintaining sufficient liquidity to meet ongoing cash flow requirements.

Environmentally and Socially Responsible Investments

Investment in Environmentally Responsible Investments and Socially Responsible Investments is limited to ADI's that meet the Criteria For Investment section outlined in the Policy, including that the rate of interest is the same or higher than non ESG investments.

Authority to Invest

The implementation of this Policy is delegated by Council to the Chief Executive Officer (CEO) in accordance with the Act. The CEO has the authority to delegate the day-to-day investment activities subject to annual reviews.

Authorising investments must be performed in accordance with the delegated authority set by Council (DA-FCM 03 Investment of Funds). Decisions to invest must be jointly approved by any two of the following:

- Director Business Services
- Manager Financial Services
- Coordinator Financial Services

Prudent Person Standard

Investment of City of Mandurah funds will be managed with care, diligence and skill that a prudent person would exercise. City officers are to manage the investment portfolio at a level where the stated objectives of this Policy are achieved and not for speculative purposes.

Ethics and Conflicts of Interest

City officers shall refrain from personal activities that would conflict with the proper management of the City's investment portfolio. Where there is a conflict of interest, it should be disclosed to the Chief Executive Officer as soon as possible.

Reporting

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 City of Mandurah's behalf as at the 30th of June each year and reconciled to the Investment Register.

Details of the investment portfolio including performance figures will be included in the Monthly Financial Report to Council.

Definitions

Authorised Deposit Taking Institution (ADI) means the same as that defined in Regulation 19C(1) of the *Local Government (Financial Management) Regulations 1996* as amended.

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.

Environmentally Responsible Investments include (but are not limited to): Resource efficiency, especially water and energy (including reducing greenhouse gas emissions and renewable energy), Production of environmentally friendly products, Recycling and waste reduction.

Socially Responsible Investments include (but are not limited to): Fair trade and provision of a living wage, Equal opportunity employers and those that support the values of communities, indigenous peoples, and minorities, provision of housing, especially affordable housing, health and safety, animal welfare.

Legislative Context

All investments are to comply with the following:

- *Local Government Act 1995* – Section 6.14
- The Trustees Act 1962 – Part III Investments
- *Local Government (Financial Management) Regulations 1996* – Regulation 19 and Regulation 19C
- Australian Accounting Standards

Review

At a minimum this Council Policy will be reviewed every two years.

Related Documents

These documents are mandatory and required to give effect to this policy:

Register of Delegated Authority

Supporting Documents

Financial Investment

POL-FCM-02



The following documents inform this Policy (i.e. documents that are not mandatory to the implementation of this policy but may support the implementation of the Policy):

Nil

Responsible Directorate: Business Services

Responsible Department: Financial Services

Reviewer: Manager Financial Services

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Amendments			
Version #	Council Approval Date, Reference	Date Document In force	Date Document Ceased
1	15 February 2005 Minute G.31/2/05	15/02/2005	14/12/2009
2	15 December 2009 Minute G.43/12/09	15/12/2009	27/02/2012
3	28 February 2012 Minute G.45/2/12	28/02/2012	23/02/2015
4	24 February 2015 Minute G.35/2/15	24/02/2015	22/07/2019
5	23 July 2019 Minute G.12/7/19	12/07/2019	26/08/2025
6	26 Aug-2025 Minute G.13/08/25	27/08/2025	Current