

Investment Policy Review 2022 – Summary of Proposed Changes

Type	Description	Reason
Update	Transferred content to current Policy Template	To ensure clear and consistent formatting across Council's policy portfolio
Update	Sections 1 & 2 (Scope and Purpose): Updated statements	To ensure the content provided in these sections is effective and reads consistently with Council's policy portfolio
Update	Section 3 (Policy): Updated language, list formatting, and referencing. Re-ordered existing clauses. Consolidated overlapping statements.	To improve clarity, and to ensure consistency with applicable Council and legal standards.
Update	<p>Section 3.2: Clarified statement about the role of investment advice provided by Council's external financial advisors, as follows:</p> <p><i>The Investment Policy must be read in conjunction with Council's investment advice from its external financial advisors, which is regularly updated as per market changes.</i></p>	To ensure policy establishes a best-practice framework
Addition	<p>Section 3.3.5(b): For clause regarding Risk Management Guidelines, added climate risk criteria requirement recommended by Finance Committee July 2022, as follows:</p> <p><i>(b) Climate Risk: the financial risks arising from investments with climate change exposure, including physical, transition and liability risks (as defined within the Australian Prudential Regulation Authority's (APRA) Final Prudential Practice Guide CPG 229 Climate Change Financial Risks, November 2021), which should be managed in accordance with Council's overall business strategy and risk appetite</i></p>	To ensure policy direction is aligned with Council's broader strategy
Update	Section 3.4.1 Table 1: Table of maximum holding limits updated by Financial Advisor and Chief Finance & Information Officer	To ensure policy establishes a best-practice framework

Addition	<p>Section 3.4.3: Added clause regarding the use of S&P ratings to assess investments, as follows:</p> <p><i>The S&P ratings attributed to each individual institution will be used to determine maximum holdings. In the event of disagreement between agencies as to the rating band ("split ratings") Council shall use the higher in assessing compliance with portfolio Policy limits, but for conservatism shall apply the lower in assessing new purchases.</i></p>	To ensure policy establishes a best-practice framework
Deletion	<p>Section 3.5: Deleted directives regarding 'Tenor', in reference to counterparty limits</p>	To ensure policy establishes a best-practice framework
Update	<p>Section 3.5.1 Table 2: Table of counterparty limits updated by Financial Advisor and Chief Finance & Information Officer. Investment Advisor recommended to delete former column for "Tenor Limits (years)".</p>	To ensure policy establishes a best-practice framework.
Update	<p>Section 3.6.2 Table 3: Table of investment horizon limits updated by Financial Advisor and Chief Finance & Information.</p>	To ensure policy establishes a best-practice framework
Update	<p>Section 4 (Delegation): Removed reference to specific delegations and replaced with standard statement directing reader to Delegations Manual.</p>	To ensure consistency with Policy Template requirements
Update	<p>Section 5 (Procedure): Added Procedure section to capture all existing clauses of a procedural nature. Updated language in Procedure section.</p>	<p>To ensure consistency with Council's updated Policy Template.</p> <p>To improve clarity, and to ensure consistency with applicable Council and legal standards.</p>
Update	<p>Section 5.1: Extended procedural clause regarding the role of the Investment Advisor, as follows:</p> <p><i>Council's appointed Investment Advisor will provide pro-active investment advice as market circumstances are likely to evolve continuously. The Investment Advisor</i></p>	To ensure policy establishes a best-practice framework

	<i>will always be available to provide informed decisions to Council to implement an optimal strategy when investing and divesting funds on any given day.</i>	
Update	<p>Section 5.2: Extended clause regarding process for responding to breaches of the set counterparty limits, as follows:</p> <p><i>Counterparty Limits may fall outside of the limits set out in section 3.5.1 due to movements in the overall investment portfolio's balances (e.g. inflows or outflows such as capital expenditure) or a credit event (e.g. upgrade or downgrade of a bank, or a takeover of an institution). Temporary breaches of these limits are generally considered immaterial and likely to be rectified within a short timeframe as the portfolio can be rebalanced quickly.</i></p>	To ensure policy establishes a best-practice framework
Update	<p>Section 6 (Definitions): Added Definitions for Council, Employee, Horizon, and Major Banks. Deleted definitions for Bill of Exchange, LGGR, NCD/TCD, OLG, and Responsible Account Officer. Updated language as recommended by Legal Services.</p>	<p>To ensure provided definitions are consistent with terms employed in updated Policy.</p> <p>To ensure consistency with Council's updated Policy Template, and to improve clarity and accuracy in Policy implementation</p>
Update	Removed section headings for Review of Policy, Associated Documents, and History. Moved relevant content to appropriate sections.	To ensure consistency with Council's updated Policy Template
Deletion	Removed all references in Policy to a supplementary "Investment Strategy".	Under Council's policy framework the Investment Policy sets Council's strategic position. Not required to maintain additional Strategy document, would present risk of conflicting direction.